

# BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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OCTOBER, 1940

WASHINGTON . . . NEW BOOKS . . . TRUST SERVICE . . . CONSUMER CREDIT  
EXCESS PROFITS TAX . . . LEGAL ANSWERS . . . INSTALMENT NOTE FORMS  
BANK INSURANCE . . . PEOPLE YOU KNOW . . . BANK METHODS AND IDEAS



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*See why it costs you more*

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What do you want to know about your customers? And how do you get your information? Without question, the bank executive who has to contact every department of his bank to ascertain *all* data pertaining to individual customers is paying heavily in time, energy and actual *cash* for unsatisfactory, frequently misleading information—yes, even paying *more* than the cost of a Kardex Central Information File installation!

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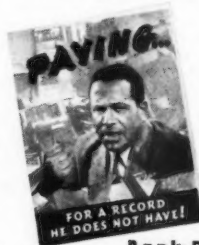
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## JUST A MINUTE



BRITISH-COMBINE

### London 1940

THE PICTURE on this page is an unpleasant reminder of the fact that while American bankers were enjoying their annual convention at Atlantic City, thousands of British bankers were wondering whether the next ten seconds would find them without a bank, and trying, meanwhile, to maintain the "business as usual" tradition.

The photograph was made the morning after the first night air raid on London. Apparently this Barclay's Bank is—or was—in a suburb, for the caption identified the location as "Outer London."

### "What This War Means"

Newspapers and the radio tell us about the bombings, battles and ship sinkings, but sometimes it's well to go far behind the news and seek contact with things that are behind this war.

BANKING offers its readers a quest of that kind this month. Under the expert guidance of Dr. EVERETT DEAN MARTIN, Professor of Social Philosophy, Claremont Colleges, California, you can penetrate deeply into the background of the military events, exploring the sources and tracing the rise of the ideas

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# BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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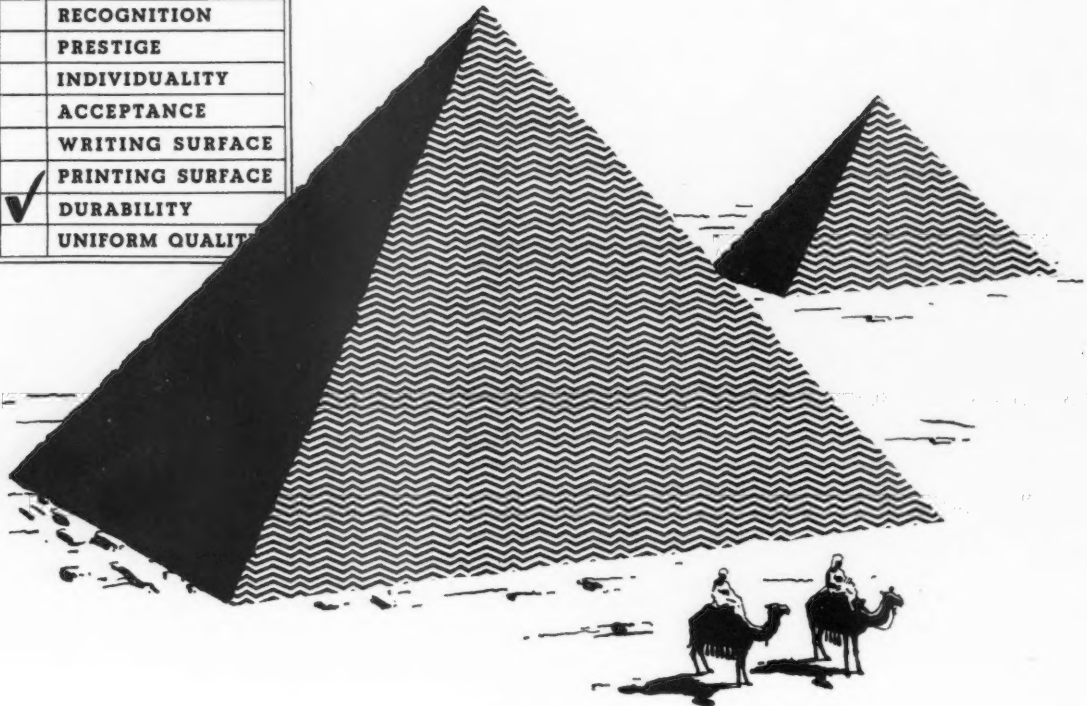
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**REASONS WHY BANKS PREFER  
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<input type="checkbox"/>	UNIFORM QUALITY

# DURABILITY



The Safety Paper with the wavy lines has both strength and stamina. Rag fibres and the carefully controlled formation of the sheet enable checks to retain their crispness and good looks right to the end of the journey. For a customer's checks are subjected to a considerable amount of "wear and tear". They are frequently folded, and the average check passes through no less than 12 hands before it is returned to the customer with his statement. » » » And remember, your customers see those checks again after they have been through the mill—often keep them over long periods of time because of their value as legal receipts. » » » Yes, it pays to specify La Monte Safety Papers when ordering checks.



**GEORGE LA MONTE & SON, NUTLEY, N. J.**



## JUST A MINUTE—Continued

that are using war as the means to an end.

When you've finished this vigorous, lucid exposition you'll be eager for the continuation of the article, scheduled for the November issue.

For three successive years Dr. MARTIN has been a guest lecturer at seminar sessions of The Graduate School of Banking.

He once referred to himself as neither a news commentator nor a repeater of press or radio dispatches; rather, he is "one whose task it has been for many years to study and try to understand the movements and the process of ideas that lie behind this great catastrophe in modern civilization."

### Are You?

As announced in September, Dr. EUGENE E. AGGER of Rutgers University opens his "Are You Keeping Up?" department this month.

The question refers, of course, to your position on current events, especially as they concern banking.

Dr. AGGER's summary seems to be an excellent opportunity for students (and who isn't a student these days?) to check the results of their newspaper and magazine reading against the gleanings of so experienced an observer as Rutgers' professor of economics.

Lapsing into the vernacular, we think we've got something here.

### A Tale for Many Cities

THOMAS H. REED, who sent us off to a good "Know Your Community" start a month ago, carries on with an article

that points up the national defense program and its prospective effect on the lives of many American communities.

Mr. REED is especially emphatic about the need for a careful choice of objectives, and the importance of every community's knowing itself "well enough to choose intelligently the part it will play in the unfolding drama of preparedness." Let each select "such immediate practical objectives as will form a pattern of success." By a survey and careful analysis of the facts disclosed, each can find its place in the industrial expansion.

### Housing

HOUSING ASPECTS of our national defense effort will probably become more prominent, if not more pressing, as time goes on. The "housing shortage" is a familiar concomitant of manufacturing activity.

Dr. ERNEST M. FISHER, writing from his A.B.A. office in Washington, has some ideas as to the financing of housing construction, and he passes them along in his article on page 37. Believing that the "use of public funds to expand dwelling facilities would not seem, except in certain special cases, to be justified at the present time," he outlines a plan whereby the Federal Housing Administration would be authorized to protect private equity owners of housing projects in communities that will have augmented populations incident to a boom in armament production.

### It Won't Be Long Now

WE MEAN until Christmas.

And in anticipation of that holiday  
(CONTINUED ON PAGE 5)

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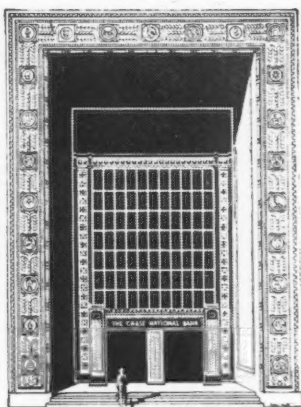
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### OLD GLORY

This display in the lobby of the Union Bank of Commerce, Cleveland, comprised the flags of the United States and possessions, Ohio, and Cleveland. The American Flag and Decorating Company, Cleveland, cooperated





By establishing correspondent relationships with the Chase, banks throughout the country give their own customers—farmers, manufacturers, merchants—the advantages of additional facilities. In turn the Chase calls on these banks for many valuable services and through them figuratively feels the pulse of the nation's business. Through the Chase, correspondent banks speed their collections, secure loan accommodations on short notice, obtain up-to-date information on trade conditions and investments, expedite transfers and keep posted on the current financial standing of American and foreign corporations. Thus they broaden their own service to customers.

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CARS ACROSS THE SEA

Wilton A. Pierce, assistant treasurer of the Chase National Bank, New York, is treasurer of the British American Ambulance Corps. In the picture he is receiving an ambulance from Mrs. Osa Johnson, widow of Martin Johnson, the camera explorer. It is to be used by the British East African forces

#### JUST A MINUTE—Continued

we publish suggestions for bank Christmas greetings and celebrations.

We started "saving up" for this one nearly a year ago, hoarding Yuletide material as it came in last December, with a view to reporting how banks throughout the country pay their respects to their friends at the Christmas season.

#### Cupid, a Man, and a Loan

IN THEIR cartoon fable Messrs. IRWIN and KIRKPATRICK demonstrate how the Cherubic Archer helps a Confirmed Bachelor after the latter has helped himself by getting a new car with the aid of some timely, if not, indeed, inspired, financial assistance from his Friendly Bank.

Thirty-two scenes, 32 captions—all on pages 32 and 33.

#### Life Insurance Loans

THE LIFE insurance loan "check chart" in this issue is adapted from material appearing in "A Study of Life Insurance Policies as Collateral", by R. A. BEZOIER, cashier of the First National Bank, Rochester, Minnesota, who wrote our article.

Prepared "with the primary thought of offering practical suggestions for the investigation, supervision, and collection of loans secured by assignments of life insurance policies", Mr. BEZOIER's study is being published in booklet

form and will be available from him at a small charge.

#### The Playlet's the Thing

A. G. BROWN, A.B.A.'s agricultural credit expert, sat down in an editorial office chair the other day to tell us about a skit he'd seen recently. It had been presented at the Arkansas Bankers Seminar, University of Arkansas, Fayetteville, and had taken honors as one of the meeting's highlights.

The theme was the independent audit, and the action exemplified the problems presented to bankers when, in considering credit applications, they find situations that require an outsider's appraisal. In the sketch, the bank, its customer and the independent C.P.A. work out a problem to the advantage of everybody, particularly the loan applicant who finds that the audit told him some things about his own business.

Many bankers are inclined to agree when a customer thinks an outside audit is not needed, and often country bankers, in making real estate loans, are reluctant to call in the "strange" auditor. The Arkansas playlet demonstrated effectively not only the advisability of the audit, but a workable technique for handling situations that require independent examination.

Participating in the three-scene sketch were: "Banker", HARVEY C. COUCH, JR., Union National Bank, Little Rock; "Bank Credit Man", ALONZO BRASFIELD, Union National Bank; "Bor-



## PERSONALIZED CHECKS

*help everybody*

#### 8 ADVANTAGES TO INDIVIDUALS

- (1) Increased prestige
- (2) Every check a "business card"
- (3) Personal choice of style and color
- (4) Avoids errors through illegible signature
- (5) Excellent identification
- (6) Numbering aids filing and reference to checks
- (7) No need to write address
- (8) Easier cashing of check

#### 9 ADVANTAGES TO THE BANK

- (1) Easier sorting and routing
- (2) Business and personal accounts more quickly segregated
- (3) Protection against fraudulent use
- (4) Bank has accurate record
- (5) Less waste and spoilage
- (6) Makes for better customers
- (7) Prompt balances each month
- (8) Helps eliminate "No account" checks
- (9) Save check expense to the bank

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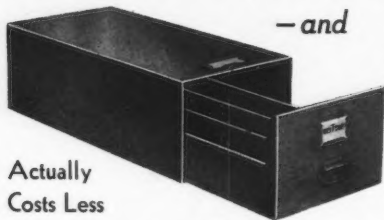


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### Pensions

IN CASE you missed the news, the New York State Bankers Retirement System, a mutual fund established for the benefit of officers and employees of banks that are members of the New York State Bankers Association, has made the scope of its operations nationwide.

D. C. WARNER, president of the Endicott (New York) Trust Company, and chairman of the System's board of directors, said this step was decided upon in response to inquiries from officers of other state associations and from individual bankers throughout the country.

The System has total assets of more than \$250,000 which are increasing at the rate of about \$120,000 a year. Chartered by the New York Insurance Department, it was organized January 1, 1939 to provide pension, death and disability benefits to officers and employees of member banks. The institutions pay approximately 5 per cent of their payrolls to the fund and employees contribute about 4 per cent of their salaries. The fund is invested in securities legal for life insurance companies in New York.

Reporting the enlarged scope to the State Secretaries Section of the American Bankers Association, S. B. ROMAIN, the System's manager, said the eligibility rules and regulations now permitted a bank to join in any one of these three ways:

- (1) It must enroll 75 per cent of all employees, or
- (2) it must enroll 90 per

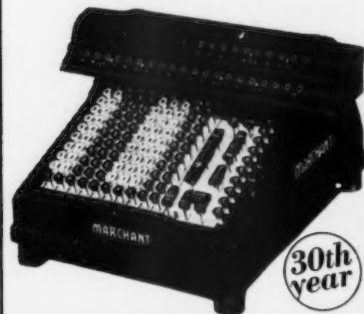
(CONTINUED ON PAGE 8)

It Is Now a Rare Privilege



THOMAS, ASSOCIATED NEWSPAPERS

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accounts per  
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time of copying  
to report.

MAY				
DAY	CKS	DOLLAR DAY	DEP.	BALANCE
1	7	2420		3250
2				3250
3				2160
4				2160
5	3	560		3740
6				
27				4630
28	10	1140		5770
29				4570
30				4570
31				3120
31	31	8710		15620
AV. LED BAL.				2437
LESS FLOAT				XXXX
AV. COL. BAL.				2101
LESS 1/12 OF A L. B.				XXXX
BAL. FOR INVESTMENT				XXXX
EARNINGS				4.44
NO. OF DEPOSITS				6 24
CHECKS DEP.				38 1.52
CHECKS PAID				160 4.80

Profit by studying this Analysis  
(Other methods also available)

1. Reserve is calculated on Av. Led. Bal. or on Av. Col. Bal. at your option.
2. Avg. Float is Dollar-Day Float divided by 1/12 of 309 as Float is collectible only 309 days of average year.
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BANKING

"Unforeseen events . . . need not change and shape the course of man's affairs"



## The Case of the Disappearing Coal

Something was radically wrong . . . \$300 worth of coal was disappearing mysteriously *every day*. The chief plant engineer was puzzled. His whole force was stumped for a clue.

The case was turned over to a Maryland boiler inspector. He ordered the fires drawn, the boilers opened up to cool. Cautiously he crawled into their dark maws to find twenty-two boilers delivering only forty-five percent of their normal

power . . . yet demanding a full ration of coal!

Solved: the mystery! Saved: thousands of dollars in fuel! Sidetracked: a costly order for 10 additional boilers!

The regular inspection service which accompanies Maryland boiler insurance often uncovers savings that pay for the insurance itself! Available to factories, utilities, institutions and homes. Maryland Casualty Company, Baltimore.

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foreign made automotive vehicles.

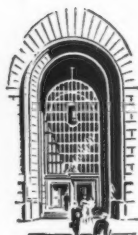
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#### EVERETT DEAN MARTIN

His after-dinner seminar lectures have been a feature of Graduate School of Banking sessions the last three years. His article "What This War Means" appears on page 28

#### JUST A MINUTE—Continued

cent of all employees 40 years of age or under, or (3) it must agree to enroll each new employee as hired.

#### Send 'Em Along, Mr. Togo

To Editor BANKING Magazine which now deal in \$2 Jokes.

Dear sir ed.:

Well, this are first (1st) communique from me in 9/12 (3/4) yr. and I hope you are glad I now crack long silence. I do so to report follows:

Other night Tues. Hon. Wife catch up with Homework Reading after vacation by having quick skim (adv?) through Aug. BANKING. When she arrive at about page 73 she break out with chuckle. I ask reason for this occurrence and she report:

"Hon. Magazine of Influence Among Men of Influence have gone funny."

"No!" from me. "You mean what?"

"I mean it put in Joke Dept.," she explain, and chuck again.

"Yes, yes," I soothe. "That are not news to me who read magazine when it arrive which were six (6) wks. ago." (There are good free plug, Mr. ed.)

She go on read for minutes, then declare with suddenness:

"I think you are dumb."

"Yeah?" I slang.

"Yes," she Anglo-sax. "If you read Joke Dept., what did you do about it? Why did you not . . ."

I try to insert answer but she blitz-krieg on:

"You do nothing to bring \$2, \$4 or \$20, etc., checks for Jokes to this house. This were Wonderful Opportunity. You tell me good jokes for nothing. You



should better go professional and sell same to BANKING at so much per each."

Well, Mr. ed., why not?

However comma it occur to me on No. 2 Thought: Maybe that are good idea and maybe not. Much depend on that humor sense you own (adv?) and how good you use it. If sense are No. 1 grade I can send sufficiently enough jokes (at \$2 scale) to fill up one issue of Magazine for you and same will pay for new Togo car.

What say?

Ha-ha-fully,

TOGO, JR.

### An Omission

In its Government Financial Agencies résumé last month, BANKING omitted from its listing of the officers of the Farm Credit Administration the Intermediate Credit Bank Commissioner. He should have been included with the Governor, two Deputy Governors, the Land Bank Commissioner, the Cooperative Bank Commissioner, and the Production Credit Commissioner as constituting the FCA management.

### Birthday Cakes

For THE FIRST NATIONAL BANK of Portland, Oregon, 75 years old on September 8. Installation of six large photographic murals, carrying out the theme "Oregon's Wealth", in the bank's main office, was a feature of the anniversary celebration. There was also a dinner attended by state and city officials, and civic and business leaders.

For THE BUTLER COUNTY NATIONAL BANK AND TRUST COMPANY of Butler Pennsylvania, which recently celebrated its 50th anniversary, observing the occasion by publishing an attractive pamphlet history of Butler county.

For THE OLD NATIONAL BANK of Martinsburg, West Virginia, 75 years old last August 12. The bank issued a "Book of Memories" in honor of the birthday.

### Edens Convention No. 33

COLONEL WILLIAM EDENS, vice-president of the Terminal National Bank, Chicago, old friend of and worker for the American Bankers Association, guesses he's "about one of the oldest convention goers in the A.B.A."

His journey to Atlantic City was his 33rd consecutive trip on the "Fall-tonic", famous special train that carries mid-western bankers to the Association's annual meetings. His first A.B.A. convention was at Atlantic City in 1907.

October 1940

# LOOK HERE, JIM

...here's a fact we can't ignore  
next time we order checks!

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DEPOSITORS VOTE  
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WHAT THESE FACTS mean to you: Your depositors know the Hammermill name. They have confidence in it. They use the respect Hammermill quality.

AND THEY RESPECT your judgment when you supply them with checks on Hammermill Safety Paper. That is the "plus" value which only Hammermill Safety can give you—the opportunity to link the reputation of your bank with the prestige and good will of the best-known name in paper.

IN USE, Hammermill Safety lives up to its reputation. Its distinctive design gives checks an air of authority. It is sturdy paper, easy to write on, easy to handle. And it immediately reveals chemical or mechanical alteration. See portfolio of specimen checks.

Send for it!  
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Send for it!  
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Please mail me the sample book of Hammermill Safety and Portfolio of Specimen Checks.

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(Attach to, or write on, company letterhead)

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Colonel Edens

In case the picture suggests that the colonel hiked from Chicago to Atlantic City, we hasten to add this quotation from the letter that accompanied it:

"The enclosed snap was taken by one of our street photographers as I was trekking from the Merchandise Mart over the LaSalle Street bridge to the editorial rooms of the Chicago *Daily Tribune*."

## More Taxes

CONGRESS DIDN'T complete its work on the excess profits bill until we had gone to press. Consequently Donald Horne, BANKING's tax expert, had to forego an analysis of the measure. However, his discussion of excess profits taxation is interesting and instructive.

MR. HORNE'S "Your Taxes" series has been keeping our readers up to date on what Uncle Sam's Ways and Means Committee is doing to help foot part of today's tremendous bills.

"Don't mind him, honey. . . . He's just from the finance company to see nothing happens to the ring!"



CONSOLIDATED NEWS FEATURE

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**Back in 1840,** Great Grandpa Abner Grigsby had a male secretary who took down his dictation with a new-fangled system of pothooks. Grandpa allowed it wasn't a very good arrangement. The secretary couldn't really do much to help him and protect him from interruptions while he was sitting there taking dictation. Both of them were bothered continually, and work was held up.

**Today** old Abner's grandson has inherited the business — now modern in all respects but one. He is still struggling with antiquated two-person dictation! Isn't it time the Grigsby Co. — and a lot of other businesses — decided to drop old-fashioned ways? Once they sample the convenience and the time-saving ease of the Dictaphone method, they're seldom satisfied with anything else.



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**BANKING**



# The National Prospect



HERBERT M. BRATTER, *reporter of the following news from Washington, is a frequent writer for BANKING.*



## Government Ownership of the FRS

*Washington, D. C.*

THE PERENNIAL QUESTION of Government vs. private ownership of the Federal Reserve System keeps bobbing up in the *Congressional Record*. One well may wonder whether it makes any difference who owns the System, when in fact it is controlled by the administration in power. The Board of Governors is appointed by the White House. That Board in turn appoints one-third of the directors of each Federal Reserve bank as well as the chairman and deputy chairman of each such bank. Appointment of the president and first vice-president of each Federal Reserve bank must be approved by the Board of Governors in Washington, which, moreover, may remove any officer or employee for cause. Thus the Board in Washington, a governmental body, exerts strong influence on the operation of the system.

This is a subject well within the scope of the Wagner resolution. Senator Wagner's office reports that the monetary and banking study is proceeding. Months have gone by since the famous questionnaire was reportedly sent out. The only safe assumption is that the "study" will proceed beyond election day.

## Crowley soon leaves . . .

FDIC CHAIRMAN LEO T. CROWLEY will be leaving Washington after the elections. Designated chairman of the board of the Standard Gas and Electric Company some time ago, Mr. Crowley in August became its president as well. All of which goes to show that a utility connection is not necessarily a liability in Washington.

## Defense boost . . .

A BANKER attained a position of importance in Washington when Secretary of War Stimson appointed as his aid in speeding up defense purchases General Benedict Crowell. For Mr. Crowell, who was assistant war secretary in President Wilson's administration, is president of the Central National Bank of Cleveland.

## Farm debts . . .

TO CHECK THE FLOOD of farm-mortgage foreclosures and provide for the orderly liquidation of farm mortgage debts is the reported purpose of H. R. 8157, a bill reported on by the Committee on Public Lands and at this writing on the House calendar. With pre-election adjournment of Congress a goal, it is certain that many bills now pending will never see the light of day.

## Inventories . . .

BANKING EXPERTS in Washington look for a fairly good pickup in commercial borrowing by the end of the year, the increase probably not exceeding \$500,000,000, however. How much of an increase takes place depends partly on seasonal factors and partly on inventory policies. Inventories were built up last Fall and have not since receded. Some close observers feel that, if businessmen are wise, they will now increase inventories further, to avoid future bottleneck situations.

## Medium of exchange . . .

IT MAY STRIKE some persons as strange that the United States, which eschews barter and holds about \$21,000,000,000 of gold, has resorted to the use of destroyers for money. That, at least, is one way of viewing the recent deal for naval and air bases.

## Secretary Jones . . .

WHEN Jesse H. Jones, vital cog in the administration, was offered the cabinet post of commerce secretary, he insisted on retaining his position and powers as Federal Loan Administrator as well. Since Mohammed would not come to the mountain, special Congressional authorization had to be sought to permit Mr. Jones to hold both posts simultaneously. In fact it will mean no less than 29 different jobs for the Houston banker-publisher-builder. All of which is a great tribute to one of Herbert Hoover's Democratic appointees to the board of the RFC.

Sixty-six-year-old Jesse Jones should do a lot for the orphaned Commerce Department, most of whose employees seem to feel that they have been virtually without representation on the cabinet since the New Deal took over Washington. What they are wondering is how Mr. Jones can ever find a moment to be Secretary of Commerce, which takes in such varied bureaus as Census, Patents, Foreign and Domestic Commerce, Civil

*Left to right, L. D. Bell of the Bell Aircraft Corporation, Major General H. H. Arnold, chief of the U. S. Army Air Corps, and W. S. Knudsen, chairman of the National Defense Advisory Commission, discussing the progress of airplane production*



SOBELMAN SYNDICATE

## Costly Accumulation and for what?

RECENTLY greatly increased taxes suggest that further increases in corpus or principal through either accumulation of income or capital additions are frequently less desirable than present distributions. This particularly affects the existing estates of older lives. A substantial part of today's accumulations is frequently lost in tomorrow's taxes. Why delay consideration of constructive and intelligently planned distribution today? Then you will find happiness and enjoyment through watching your gift at work developing better lives, opening up larger opportunities and building a stronger and better future for your country and its people.

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The Comfit Line offers good seating for all office workers. The Harter Corporation, Sturgis, Mich.

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The fact is that Mr. Jones is something of a human dynamo. If a holiday visit to his fast-moving office is any criterion, his hobby is work. He loves his work. Time is no consideration when there's a job to do. His physical capacity seems to be unlimited, which is all the more surprising for a man of his years, since he finds time for little exercise. When he gets the chance, he walks; occasionally he plays golf. Bridge gets a little, but very little, of his time.

A good example of Mr. Jones' stamina and personal skill was shown at the House hearings in August on the \$500,000,000 Export-Import Bank expansion. The hearings lasted five mornings and throughout Mr. Jones was the only witness. In giving his testimony he preferred to stand and walk around, as if to get closer to his questioners. And some of the questions fired at him from the Republican side would have done credit to an "Information Please" program.

Life in Mr. Jones' office is just one ticklish decision after another. And Mr. Jones doesn't shirk decisions. He keeps his own hands on the controls. When a matter has to be decided, it is usually worked up by his assistants and brought to him. A decision is then quickly reached. On some matters, however, Mr. Jones is in from the beginning, as when big deals are in the making. To his assistants, Mr. Jones' ability to size up a financial statement at a glance is positively uncanny.

In July, while the new building of the Federal Loan Agency was nearing completion, a rumor was heard that the National Defense Council, finding itself getting crowded in the Federal Reserve Building, was casting longing eyes on the new structure at 15th and I Streets, N. W. Whatever the reason, persons calling at the old building the following Monday were surprised to find that, over the week-end, part of the Federal Loan Agency had moved into its still unfinished quarters. As this is written the entire agency is housed in the new building, which even now is still receiving its finishing touches.

### Bank loans and resources

DURING THE year ended June 30, according to the FDIC, loans of all insured banks increased 6 per cent to a near high, but deposits increased about 12 per cent, due chiefly to the influx of funds from abroad, inter-bank repositing, and increases in loans and securities of the banks. Deposits of individuals, partnerships and corpora-

tions, payable on demand, and of domestic and foreign banks increased about 17 per cent. Deposits as of June 30 were at the highest level ever reported to the FDIC.

Of the assets held by insured commercial banks on June 29, 1940, 36 per cent were cash, reserves, and funds due from banks, 35 per cent were securities, and 26 per cent were loans and discounts.

Total capital accounts of the insured commercial banks increased by \$91,000,000 during the period, reflecting increases in surplus, undivided profits, and reserves, which more than offset retirements of preferred capital. Total capital accounts amounted to \$6,606,000,000 on June 29, 1940, equal to 10.0 per cent of total assets, compared with 10.9 per cent on June 30, 1939.

### Bankers on NDAC

THE FIRST BANKER to join the National Defense Advisory Commission was Clifford Hill, who helps Donald Nelson work out preference classifications. Mr. Hill came to the Commission from the Guaranty Trust Company of New York.

A "preference classification", in case your curiosity has been aroused, is a euphemism for government priority. The difference is that priorities are mandatory under the law, whereas "preference classifications" are merely government wishes. But they seem to be just as effective as war-time priorities.

The most recent case of a banker coming to Washington to work is that of Joseph C. Rovensky, of the foreign department of the Chase National Bank. Mr. Rovensky is serving as economic and financial administrative assistant to Nelson A. Rockefeller, the National Defense Council's coordinator of inter-American relations.

### Banker speaks up

WHEN THE Senate Finance Committee held public hearings on the Second Revenue Act of 1940, among the witnesses was C. F. Kuehnle of the Central National Bank in Chicago. Mr. Kuehnle told the committee that his bank, a relatively young institution, would be discriminated against under the House bill, as compared with an older bank of whose affairs he had knowledge. A few excerpts from Mr. Kuehnle's testimony may be of interest to our readers (see part 1 of the hearings, September 3, 1940, pp. 83-6).

The inequities in the proposed law as they affect virtually all younger commercial banking institutions, and very probably numerous other enterprises, are detailed briefly on the opposite page:



(1) No alternative has been given to a corporation organized after January 1, 1936, other than that they use a percentage of invested capital as the credit base for excess profits.

(2) Special consideration has not been given to banking corporations whose disposal of earnings is not their own private affair, but is subject to regulation and supervision by the Treasury Department and other regulatory bodies of the Federal Government.

(3) Banks have not been specifically exempted from section 720, which deals with inadmissible assets. . . .

The whole theory of banking legislation since the bank holiday has been with the thought of securing sound banking on the long-pull basis.

No new bank operating consistently with and in the spirit of that theory could possibly have reached its normal position, either as to earnings or capital and reserves, in the short period of the past four years.

The objective of the Federal Deposit Insurance Corporation legislation and regulation is to place all banks on a sound basis with a ratio of deposits to capital of 10 to 1. There are just two ways for a new bank to attain that objective: First, from net profits retained as reserves. Second, from sale of stock.

Any substantial added expense which reduces the net earnings retained as reserves will delay the day when new banks can hope to attain the objective of the Federal Deposit Insurance Corporation.

This tax bill does exactly that. Hence, this legislation is in direct conflict with the whole theory and intent of bank legislation since the bank holiday.

As to the other alternative—the sale of stock—this legislation closes that door to new banks.

Restricted limited earnings will make the sale of additional stock to present stockholders or the public most difficult.

Mr. Kuehnle presented statistics to show that an eight-year-old bank would, by reason of age only, under the House bill, receive a greater exemption basis than a four-year-old bank which is more in need of such relief. This situation applies to non-banking enterprises as well.

### *When Congress goes home*

IN THE PRESENT Congress between January 1, 1939, and early September 1940 there were introduced more than 4,300 Senate bills and 10,474 House bills. At this writing the 76th Congress has produced about 780 laws, 540 private laws, and approximately 96 public resolutions. Despite all that, the number of pending bills is enormous.

The vast majority of these measures will die when the present Congress comes to an end on December 31. If it adjourns earlier *sine die* and is not reconvened, then for all practical pur-

**T**HE economist, the editor, the legislator, — each will speak or write of banking in terms of loans, credit policies, investments, and reserves.

But the daily contact is at the teller's window. One customer in ten may borrow money, but they all use checks.

A satisfied clientele is the basis of sound public relations. See that your check collection service leaves nothing to be desired.

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## THE TEXAS CORPORATION



152ND Consecutive Dividend paid by The Texas Corporation and its predecessor, The Texas Company

A dividend of 50¢ per share or two per cent (2%) on par value of the shares of The Texas Corporation has been declared this day, payable on October 1, 1940, to stockholders of record as shown by the books of the corporation at the close of business on September 6, 1940. The stock transfer books will remain open.

L. H. LINDEMAN  
Treasurer

August 12, 1940

Well-informed directors are pillars of strength. BANKING has a group subscription plan, by means of which your bank can supply this magazine to members of your board. The cost is negligible.

poses pending bills die with adjournment.

Even though a bill has passed through hearings, obtained committee approval and even passed one house of Congress, it must start all over again from scratch in the next Congress, if it is to be acted upon.

### Debt and debt limit

ON AUGUST 31 the outstanding public debt was about \$44,200,000,000, or \$818,255,000 below the old \$45,000,000,000 statutory limit. This limit does not include the additional \$4,000,000,000 of notes, certificates of indebtedness and Treasury bills which may be issued for national defense purposes.

To reconcile the above figure with that shown on the *Daily Statement* of the United States Treasury, it is necessary to deduct unearned discount on savings bonds and to add certain other public debt obligations outstanding but not subject to statutory debt limitation. With those adjustments, the August 31 figure was \$43,905,000,000.

### Alphabet

PERSONS alphabetically inclined may add to their Washington vocabulary DSC and DPC. DSC has nothing to do with street cleaning. It represents the \$5,000,000 Defense Supplies Corporation to which the RFC in August allocated \$50,000,000 for the purchase and storage of aviation gasoline at strategic points. DPC stands for Defense Plant Corporation, also capitalized at \$5,000,000 to undertake financing not otherwise provided. Both of the new RFC subsidiaries were formed at the suggestion of the Advisory Commission to the Council of National Defense, or, more briefly, National Defense Advisory Commission (NDAC).

### Bondholdings

ASSETS and deposits of national banks on June 29 were at a record high, Comptroller of the Currency Preston Delano announces. Investments constituted more than half of total loans and investments, while direct and fully guaranteed obligations of the United States constituted more than a third of total income-earning assets. The figures are (000 omitted):—

Total assets.....	\$36,900,000
Total loans and investments.....	22,100,000
Total investments.....	12,900,000
U. S. Government securities:	
Direct.....	7,200,000
Obligations fully guaranteed.....	1,900,000
Total.....	\$ 9,100,000

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## Loans Southward

SOME PEOPLE are wondering whether loans are as effective as air and naval bases in winning the cooperation of Latin America. According to former Argentine Foreign Minister Jose Maria Cantillo, as quoted in a September C.T.P.S. dispatch in the Washington *Times-Herald*, Argentina has to do business with a German-dominated area that already embraces 48 per cent of the republic's normal export markets.

According to Sr. Cantillo, "If the United States is eager to lend money, it will be hard for Argentina or any other South American country to turn down the loans, but we all will accept loans with the knowledge that it will settle no problem whatever. At best, a loan will be merely a gesture of good will."

## What non-bankers forget

BANKS, which like any business, will be subject to "excess profits taxation," are already the object of special taxation in the form of the FDIC assessment of  $\frac{1}{12}$  of 1 per cent on gross profits.

## Gold imports

DURING THE first eight months of 1940 net imports of gold, according to the Commerce Department, totalled

\$3,600,000,000, or over \$1,000,000,000 more than for the entire year 39.

## The new Comptroller

CONGRESSMAN LINDSAY CARTER WARREN of North Carolina is expected to assume his new post as Comptroller General of the United States about October 1. A lifelong lawyer and politician, Mr. Warren takes over the job that Comptroller General McCarl made famous, administering the General Accounting Office, providing departmental accounting systems, forms and procedure, investigating and reporting all matters relating to the receipt, disbursement and application of public funds, and so forth.

One of the functions with which the 51-year-old Tarheel will be charged will be to settle and adjust, independently of all the executive departments, all claims and demands whatever by the Government of the United States or against it, and all accounts, whether debtor or creditor. The Comptroller's word is final.

The General Accounting Office dates only from 1921. Previously its functions were carried out by six auditors and the Comptroller of the Treasury, as provided in statutes extending back to 1789.

HERBERT M. BRATTER

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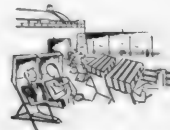
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Oh, Yeah!



THOMAS FROM ASSOCIATED NEWSPAPERS



## Bankers, come back again!

**7** HOSE of you who were with us during last month's A. B. A. convention need no urge to come to The Traymore again. Because you have eloquent reminders in The Traymore's delicious food, health baths, sparkling entertainment, sociable bars, and luxurious, large sleeping rooms. Come again! October is one of our most pleasant months — and bring with you friends who missed The Traymore in September. Rates, remember, are lower now.

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**T**O THE RANCHER, these words sum up all that he could possibly hope for in a fence to protect his livestock.

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# Some TIMELY Books

**A**LTHOUGH the tide of "war books" runs strong, by no means all the new titles have to do with the military conflict. Our domestic problems, it seems, are still sufficiently pressing to attract the attention of students and critics of the current scene, some of whom give us, in print, the benefit of their observations and recommendations.

BANKING here reports on a number of recently published books which it believes will particularly interest its readers in this month of war and politics.

## A Government Monopoly

*The Real Danger in Our Gold.* By Harry Scherman. Simon and Schuster, \$1.

THE danger is, says Mr. Scherman, that a "real inflation" will result from further devaluation undertaken as the easiest means of wiping out the Government debt. This prospect holds, he contends, so long as the Government owns all our gold and keeps paper money inconvertible. And monopoly of gold ownership "lies at the root of totalitarianism."

In short, convertibility should be restored and the gold prohibition law repealed.

As for fears that a Nazi conquest would make our gold useless by substituting barter, Mr. Scherman is not worried by this improbability; indeed, the view itself he regards as a product of Nazi propaganda. If Germany triumphs decisively, there will be more serious things to think about than the international functioning of gold; furthermore, a system of barter would present complications that might stall even Nazi efficiency.

## Hitler and Germany

*They Wanted War.* By Otto D. Tolischus. Reynal & Hitchcock, \$3.

LIKE the star reporter that he is, Mr. Tolischus of the *New York Times* sets down unemotionally and clearly the story of the rise of Hitler's Germany. As Berlin correspondent for his paper, this keen journalist observed at first hand many of the events here chronicled; and for his pains in reporting them was expelled from the Reich. *They Wanted War* is based on his dispatches.

Primarily an account of how Germany was regimented for her part in the inevitable conflict between two cultures, the book affords a study of a totalitarian state's rise. Mr. Tolischus also makes some interesting psychological observations concerning Hitler and Richard Wagner. Hitler is quoted as saying "Whoever wants to understand National Socialist Germany must know Wagner", a statement which Mr. Tolischus amplifies with the interesting assertion that the whole Nazi regime, founded on "the Germanic mythos and the cult of the heroic, is in fact unthinkable without Wagner and all he represents. In that sense the whole present war resolves itself into a super-Wagnerian opera turned into grim reality."

The implications for America in Germanic victory are considered, but to many readers the most valuable part of this volume is Mr. Tolischus' recounting of how Hitler prepared.

Books by top rank newspaper men are usually worth reading and this one by the winner of the 1940 Pulitzer Prize for Distinguished Foreign Correspondence is no exception. In these days of expertizing, there is still no substitute for the good reporter.

## Mr. Chase Proposes

*Idle Money, Idle Men.* By STUART CHASE. Harcourt, Brace, \$2.

THIS set of essays on topics ranging from the General Motors Futurama at the New York World's Fair to the author's "six modest proposals" for setting things straight in this country strike a common denominator in their effort to present our economic problems as they will be faced by the next President of the United States, be he Roosevelt or Willkie.

There is not room here to outline Mr. Chase's many ideas; possibly you read some of them in the magazines where they originally appeared. The direction of his argument is that the "gulf between savings and investment" can be partially but not entirely filled by government deficit spending, desirable as he thinks that is. A two-cylinder pump for priming is necessary—"one cylinder for private investment, one for public, both permanent." The rate of investment, he believes, should be adjusted to the rate of savings, or the rate of savings should be cut "until the two rates balance." The Government can increase

the investment rate "by borrowing idle money and putting it to work;" and it is likewise in a position "to reduce the rate of savings by taxing idle funds."

"You cannot spend your way to prosperity, say the budget-balancers," asserts Mr. Chase. "But if you are going to use money, there isn't any other way to do it. The national income is a spending rate. To increase it, somebody must spend more heavily. In the past this has meant more debt. Perhaps it does not have to be that way in the future. There are, I believe, other and better ways to increase the rate of spending and the national income."

And then he introduces the half dozen proposals which a President facing the next few years might consider. These include a permanent PWA, a flexible WPA, old-age pensions for all unemployed persons of 65 or over paid for largely by income taxes, and a new bank for capital loans, as proposed by A. A. Berle, Jr. This institution could be run by the Government or operated jointly by government and private capital.

As usual, Mr. Chase's ideas wear their best clothes for an appearance in print.

## Federal Finances

*The Federal Financial System.* By DANIEL T. SELKO. The Brookings Institution, Washington, D. C., \$3.50.

BUDGET-MAKING, revenue administration, treasury management, and accounting are here comprehensively examined, essentially with a view to making practical suggestions for meeting problems that are currently presented in financial legislation and administration.

The text is divided into five sections: origin of the Federal financial system, the budget system, the revenue system, the fiscal system, and accounting and reporting systems.

## Bureaucracy

*The Dead Hand of Bureaucracy.* By LAWRENCE SULLIVAN. Bobbs-Merrill Company, \$2.50.

MR. SULLIVAN pungently analyzes the growth of bureaucracy in the United States since the days of the founders, giving the New Deal agencies approximately half his space, or the proportion

# New, Revised COFFIN'S INTEREST TABLES

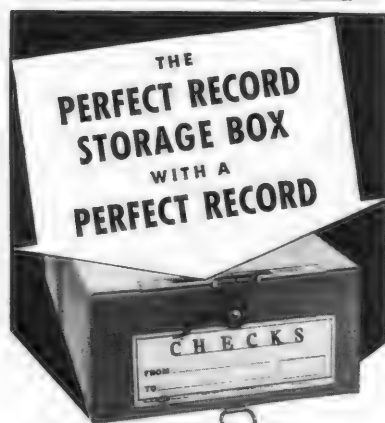
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required by their relative place in the complex organism of boards, bureaus and commissions that has grown up in Washington.

He drafts a strong "bill of particulars" against bureaucracy, tracing its damaging effects on our economic life and its contributions to the support of office holders and of political beneficiaries.

Solutions are proposed for ending our "economic frustration" and restoring "robust private enterprise under an orderly constitutional arrangement of checks and balances in public power." We are now tending, says Mr. Sullivan, "toward a form of one-man government administered through myriad bureaus whose administrators write the laws, interpret them in application, and punish violations with their own decrees and penalties."

He concludes with this admonition: "Our first need is to extirpate the moral and philosophical headship of personal government."

## Two Textbooks

*Money and Banking.* By JULES I. BOGEN, MAJOR B. FOSTER, MARCUS NADLER and RAYMOND RODGERS. Prentice-Hall, Inc., New York, \$5.

*Public Finance.* By ALFRED G. BUEHLER. McGraw-Hill Book Company, New York, \$4.

THESE two well known texts appear in new editions which means, of course, that each has been considerably revised. The first, by four professors at the School of Commerce, Accounts and Finance, Graduate School of Business Administration, New York University, has been brought up to the Spring of 1940; and Professor Buehler's second edition is of about the same timeliness. Recognizing the increased importance of commercial bank investments, *Money and Banking* has an added chapter in that field, as well as one on credit control. Some rearrangement of material has also been effected.

The other volume continues the basic outline of the book's first edition, but the text is considerably enlarged. Taxation, borrowing, public spending, and the fiscal organization of governments are subjects particularly stressed by Dr. Buehler, who is associate professor of public finance at the Wharton School of Commerce and Finance.

## Briefer Mention

*Rand McNally Bankers Directory.* Rand McNally & Company, Chicago, \$15. This is the final 1940 edition of the

Blue Book, furnishing latest available statements of all banks in the United States; foreign bank information; 1940 elected officers and directors; a list of discontinued banks; and other data that contribute to the volume's indispensability.

*Banking and Financial Subject Headings.* SPECIAL LIBRARIES ASSOCIATION, New York, \$3 to association members, \$4 to non-members. For the first time, the compilers believe, this book makes available a handbook of terminology for use in the indexing and filing of financial material. It is a useful tool not only to librarians and cataloguers but to all who are confronted with the problem of organizing files of economic data.

*What Will Inflation and Devaluation Mean to You?* By DONALD G. FERGUSON, BION H. FRANCIS, E. C. HARWOOD, BENJAMIN D. MANTON and assistants. American Institute for Economic Research, Cambridge, Massachusetts, \$1. Contains parts of three earlier publications of the Institute, brought up to date, with new material.

*Introduction to Monetary Theory.* By LESTER V. CHANDLER. Harper & Brothers, \$1.50. This is a brief textbook for the student who has a knowledge of elementary economic theory and the basic mechanics and functioning of money and banking. The author is associate professor of economics at Amherst College.

*Credit Management Year Book.* NATIONAL RETAIL DRY GOODS ASSOCIATION, New York. The 1940 edition of this annual covers developments in the consumer credit field so far as they affect department store credit selling. Experts discuss many phases of the business.

*Monetary Review: Money and Banking 1939-40.* League of Nations. Columbia University Press, New York, 75 cents. The annual review describes the various government measures taken since September 1939 to control exchanges and mobilize foreign assets, and otherwise to meet the needs of wartime.

*Monetary Proposals for Social Reform.* By MARGARET G. MYERS. Columbia University Press. \$2.25. A critical examination of the plans of Silvio Gesell ("stamped money"), Frederick Soddy ("social energetics"), and Clifford Hugh Douglas ("social credit"), with a history of various attempts to put these

plans and variations of them into practice.

*Trends in North Carolina Banking.* RESEARCH COMMITTEE, NORTH CAROLINA BANKERS ASSOCIATION. Here is the 1939 supplement to the association's *Trends* covering 1927-1937.

*The Baltimore Clearing House.* By CHARLES A. HALES. Johns Hopkins Press, \$3. The operations and history of one of the country's oldest clearing-houses, established in 1858.

*Economic Nationalism, Trade Barriers and the War.* (Academy of Political Science, New York.) This is the second issue for 1940 of the Academy's proceedings. Reciprocal trade agreements are discussed by Joseph A. Schumpeter, Henry F. Grady, Edward A. O'Neal, Emil Rieve, Charles F. Darlington, F. A. Southard, Jr., and others. Henry M. Wriston and Lewis Douglas take up phases of "Trade Barriers and World Peace", while O. M. W. Sprague, Warren L. Pierson and Percy W. Bidwell discuss problems associated with our financial policy under war and post-war conditions.

*Public Control of Business.* (Howell, Soskin & Company, New York, \$3.50.) Selected opinions by Associate Justice Harlan Fiske Stone of the United States Supreme Court are presented as a reflection of the new relationships of law and industry.

*Corporate Financial Policy.* By HARRY G. GUTHMANN and HERBERT E. DOUGALL. (Prentice-Hall, Inc., New York, \$5.35.) A textbook emphasizing the management point of view and solutions of problems of financial policy. Dr. Guthmann is professor of finance and Dr. Dougall associate professor of finance at Northwestern University School of Commerce.

*A Thousand Ways to Make \$1,000.* Edited by F. C. MINAKER. (Dartnell Corporation, Chicago and New York, \$2.50.) It offers practical suggestions, based on actual experience, "for starting a business of your own and making money in your spare time."

#### *A Correction*

The McGraw-Hill Book Company, Inc., New York, informs us that in our April issue we gave the list price of *Foreign Exchange Practice & Policy* by Frank A. Southard, Jr., as \$2 instead of \$2.50, the correct price.

October 1940



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# The Condition of BUSINESS

**THE OUTLOOK.** Business is active and expects to be more so, but the immediate future depends quite a bit on how soon plants can be built and put into operation. With the national program of rearmament barely started the problem of manpower and horse power in certain industries is either just around the corner or right in our lap.

But in spite of a constantly upward trend the outlook, examined from any angle, is a huge gamble and everyone knows it. Certainly whatever term is used to describe present sentiment, the word is not optimism. It is a case of war on the right of us, politics on the left of us, debts and taxes on top of us, guess what's in front of us, and business as usual.

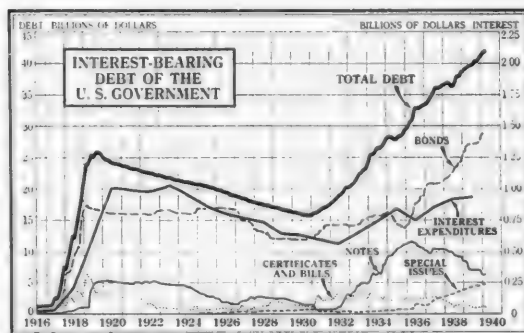
**CEILING.** In all of the strictly armament industries, including military explosives, guns, tanks, planes and warships, business is up against a capacity problem right now. The same is true of other industries closely related to defense, such as steel and machine tools. While this fact itself is not surprising, certainly the speed with which we reached a temporary ceiling in some directions is a matter of considerable importance in appraising the future. From now on the big job will be to get more plant space, machinery and trained men.

Fortunately for the accomplishment of this end there is no bottleneck of credit except that caused by the long dilly-dallying with the question of taxes, depreciation and the rules under which business would operate. In fact, in the matter of credit there is something the opposite of a bottleneck, whatever it might be called—the miraculous pitcher of Philomen, perhaps.

**DEFENSE PROGRESS.** The capacity problem accounts in some measure for conflicting reports about the progress of defense and industrial mobilization. Statements that everything is all right along the Potomac, and that everything is also all wrong, are both, in a sense, correct. The production schedules and the accumulation of tin, rubber and other essentials, are probably proceeding as rapidly as possible, which is not rapid enough.

The depression years and the investment-discouraging policies of the Government have a lot to do with the present dearth of certain capital goods. The more recent delay of the past few months in tackling and solving the same problem is simply more of the same business baiting prescription. It happens to be much more serious now because we are in a hurry, or supposed to be.

**MILITARY PURCHASES.** During a period of six weeks, starting the middle of June, the Army and Navy placed contracts totaling more than 2 billion dollars. The rate of such spending is increasing and the effect on business is cumulative but still largely in the future. The Navy can expand itself only about one-fifth in the course of a year or a year and a half because it takes so long to build large ships. The Army can increase much more



Just before the lines zoom upward

rapidly as far as its ability to use appropriated funds is concerned.

Indicating how directly the problem of capacity bears on the immediate future trend of business activity, the following is a reasonable estimate on this point:

If the Army and Navy succeed in spending even 60 to 70 per cent of the money that they now plan to put out during the rest of the year, the Federal Reserve Board's index of industrial production would have to reach 140 from its present 120. This is simply another way of emphasizing that there are going to be real capacity problems in many industries, as soon as defense purchases really get going. Moreover, actual defense spending is still only a small factor in the present rise and there is a good sized recovery movement independent of the national program.

All of which leads to one conclusion, that the question of priority of Government contracts is going to assume extraordinary importance before we go much farther.

**CROSS INDEX.** BANKING'S index of the general trend of business, obtained from a poll of 3,000 bank directors and bank presidents in all sections of the country, indicates a continued upward trend.

Sixty-eight per cent of those polled for the purpose of this summary said that business was getting better, 26 per cent found conditions about static, and 6 per cent reported a decline. The month before, 57 per cent said that the direction was up, 36 per cent reported that their respective enterprises were holding their own, and 7 per cent reported an unfavorable trend.

The composite cross index figure this month stands at 92, compared with 89 last month. This is the highest point since the index was compiled in February 1938.

In reply to a question as to whether the improvement was due to the defense program, 54 per cent said yes and 46 per cent no.

Twenty-six per cent of the bank presidents said that there has been increased loan activity traceable to the defense program and 74 per cent said there had been none in their banks.

WILLIAM R. KUHN

BANKING





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# BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

OCTOBER 1940

## Weigh Your Community

### *Economic Surveys Require Clear Objectives*

THOMAS H. REED

Dr. REED, an authority on municipal government, contributed to the August and September issues of BANKING.

INDUSTRIAL expansion is coming now. It has to come. For national defense requires not merely a vast production of the machines and munitions of war but a national economy in high gear. Sound measures of defense cannot be built on tottering industry. To out-match Hitler and pay the bill for it will call for the employment of all our resources of raw materials, man power and organizing genius—a unanimous and well articulated effort on the part of the American people to reach maximum productivity.

Only the general outlines of such a program of industrial expansion can or should come from Washington. We would not, if we could, depend on one all-seeing eye in the national capitol to discover the potentialities and one dictatorial voice to direct the activities of each of the thousands of communities which dot the vast extent of the United States. The nation in the present emergency cannot afford to wait for your community to be fitted into the national defense program by the slow processes of Federal action. The needs of the present situation will never be met unless there is spontaneous local action. Every community should be ready, within the broad outlines of the defense program, to do everything for itself. The hope of democracy is that we still have the courage and initiative to reestablish production on a sound basis by the undictated efforts of many minds in many places.

That is why it is so important that every community should know itself well enough to choose intelligently the part it will play in the unfolding drama of preparedness. Effective community action is impossible except for predetermined objectives. A mere generalized desire to help national defense or promote your own and the country's prosperity is not enough. What your community needs at this moment is the choice of such immediate practical objectives as will form a pattern of success—a program of progress in support of which every element in it can unite.

The consequences of a mistaken choice of objectives and of being caught without a plan in a time of crisis are

well illustrated by the history of "Textile City" in New England, which enjoyed many years of prosperity and growth. It had failed, however, to recognize the dangers of too exclusive specialization in one kind of industry. It lived and breathed textiles. A few years ago it discouraged a great automobile manufacturer from bringing to "Textile City" a large assembly plant on the ground, it is said, that its relatively high wages might lead to a demand for higher wages in the textile industry. Within a few years, however, most of its great textile concerns had gone out of business or moved away, leaving behind them unemployment, poverty and the great gaunt empty mills with their rows of staring windows. The automobile plant in this decline would have been a life saver.

But mistake number one was quickly followed by capital error number two. "Textile City" had no plan on which to base concerted effort to confront its problem. Mills began to be torn down, some by private owners who were tempted by a few dollars of quick salvage money. Others which had passed into the hands of the city for non-payment of taxes were torn down by WPA labor or were allowed to fall into disrepair. There is something grimly incongruous in the picture of the unemployed being given jobs tearing down the buildings in which they formerly had earned their livelihood and in which they stood their best chance of earning it again.

Other textile cities in New England, realizing that cotton had deserted them for good, with realistic flexibility promptly adopted new objectives and successfully sold to numerous small industries the advantages of cheap space in their vacant plants, their unused labor supply and reasonable rates for electric power. They put into the old mills new enterprises employing more men per unit of floor space than their original occupants. Such piecemeal successes only helped major successes like that of Fall River, Massachusetts, in selling 2,500,000 feet of floor space to the Firestone Rubber Company. They were well on their way back to substantial prosperity while "Textile City", which has now learned its lesson, was still wondering what it could do about it. The reason was courageous self-analysis based on the realistic self-knowledge of each community.

There are many objectives from which to choose. Judging by the literature distributed by official state development boards and chambers of commerce, many sections of the country regard caring for tourists as their most hopeful business prospect. Cities, states and even nations have thrived on it. There is one Connecticut town whose so-called chamber of commerce was organized not to bring industry in but to keep it out. It prefers to seek prosperity by exploiting its broad streets of branching elms and its sedate colonial mansions, to the exclusion of its rail and water transportation, and its proximity to the industrial beehives of the nutmeg state. It would be interesting to know what the attitude of the hard headed early settlers who planted those elms and built those mansions would be toward such a policy.

There are relatively few communities which have measured their resources carefully, and developed effective methods of seeking the particular kinds of industry for which they offer peculiar advantages. Even these places do not announce in set terms the particular forms of industry they wish to cultivate. None of the promotional literature we have examined says, "We want only diversified small industries involving mechanical skill and the use of electric power," or "We want smelters and steel mills and nothing else," or "We propose to go in exclusively for food processing." Most of it is no more

than shotgun advertising for anything that can be had. But in those regrettably few cases in which a definite plan for development has been based on comprehensive analyses of the facts, there is a clear choice of means if not of ends. When the Governor of Texas, striving to promote the industrial development of his state, in a 50-page analysis of resources employs 38 pages in discussing raw materials, of which 23 are devoted exclusively to agricultural products, it is clear that the impact of his campaign is directed at the processing industries, chiefly those dealing with agricultural products and secondarily those engaged in processing certain specified minerals. The objective is as clear as if it had been declared from the housetops.

Knowing your community means not only gathering information but subjecting it to critical scrutiny and careful judgment.

That is the way Baltimore went at it in 1914 in the first industrial survey of a major American city, which became the springboard for what has been in many ways the most remarkable industrial growth enjoyed in recent years by any great city in this country. In this ground-breaking survey a competent research staff worked for a year on an intensive study of all conditions affecting Baltimore's industrial and commercial life. The results were submitted to an advisory committee consisting of

A few of the many studies made by states and smaller communities





John R. Bland, president of the United States Fidelity and Guaranty Company; Frederick W. Wood, president of the Maryland Steel Company, and the late Jacob H. Hollander, famed Johns Hopkins professor of economics. This committee found the cause of Baltimore's industrial retardation in the lack of concerted community encouragement of new industries. In meeting this situation they wisely chose the goal of diversified industry. They pointed out three specific lines along which diversified expansion could be sought profitably:

1. "Industries entirely unrepresented in Baltimore for whose products there was an actual demand.
2. "Industries entirely unrepresented in Baltimore but conspicuously successful in similar communities.
3. "Industries then in operation in Baltimore but capable of marked expansion."

To make the way easy for small enterprises, a corporation was established on the recommendation of the advisory committee to supply capital to small concerns for starting or expanding industries. And at the same time an industrial bureau, the first of its kind in the country, was organized to bring well financed new enterprises to the city.

Twenty-five years later, in 1939, a second industrial

survey demonstrated that the investigators had been right the first time. The value of Baltimore's manufactured products increased from \$297 million in 1914 to \$925 million in 1937, and its annual industrial payroll from \$34 million to \$124 million. In Baltimore throughout the depression all indices of prosperity have remained above the national average. Nor do you have to be a Baltimorean to believe that the industrial development of that city enhanced the productive capacity and general well being of the nation as a whole.

A similar task is waiting to be done in your community. Surveying is a simpler matter now than in 1914. Its techniques are common property. We suggested in a previous article methods for the organization of a Know Your Community self-survey. The facts gathered by such a survey should be submitted to a committee of your wisest citizens. They can analyze the industrial opportunities the survey discloses with the same sure common sense as did the eminent advisory group in Baltimore. You can thus find your place in the expanding enterprises of the next economic cycle the democratic way, without waiting for anyone to tell you. To do so will render substantial help in adjusting your community to the general program for national defense now shaping up in Washington.

Only first, you will have to Know Your Community.



# What This War Means

EVERETT DEAN MARTIN

*The author, a noted philosopher, teacher and lecturer, is professor of social philosophy at the Graduate School, Claremont Colleges, California. His talks are a feature of sessions of the Graduate School of Banking conducted by the American Bankers Association at Rutgers University.*

*In the following article Dr. MARTIN describes the growth of the revolutionary philosophy which he believes is the background of the present war, tracing its development into the Nineteenth Century. A later article will bring this development up to date and discuss the philosophy of modern revolutionary movements.*

THE American people have been, and in large part still are, confused by those who try to explain the events of the war without understanding the philosophy of human relations which brought this scourge upon our generation. However, our people are now beginning to see that most of the predictions which they read and hear on the radio have regularly been proved false by the course of events. A study of such erroneous predictions will show that most of them are made by commentators who persist in believing that this is an "imperialistic" war; or that it is motivated by the sort of economic interests which socialists in the past have said were the causes of all wars.

This is not a "capitalistic" war. It is a socialist war prepared and carried on by socialists for the purpose of world revolution. The great capitalistic nations have sought in every way to avoid this conflict. In Britain the "appeasement" policy was maintained down to the very day of the invasion of Poland. Everywhere the capitalistic nations have fought half-heartedly. And there is no truth in the charge that industrialists in America have as a group any desire to involve America in the war, even though this conflict is approaching our very shores. Communists and socialists have sought to take the lead in our misguided isolationist movement, not because these radicals are sincerely pacifist, but because some of them have received orders from Russia, Germany's ally; and further because socialists of all sorts are working to prevent this country's giving any aid to Great Britain which might discourage the hope of a world victory for National Socialism.

THIS is a revolutionary war. In fact it is "The Social Revolution" for which socialists of all schools have worked with intrigue and propaganda and increasing hope for a century. Hitler's easy and startling victories are made possible by radical "boring within" the nations which he aims to conquer. Nazi world conquest is an open and armed attack on the liberal democracy of all nations in which constitutional government and free private enterprise have prevailed. The Nazi crusade of destruction is the climax of a movement which has labored long to demoralize and overthrow the capitalis-

tic system; to spread industrial and mental confusion and encourage treasonable conspiracy throughout "bourgeois liberal democracy". One has but to read the writings of socialist leaders themselves to see the undeniable truth of this statement. Socialism has so presented its aims as to make at one and the same time an appeal to the generosity of idealistic people and to stir up the false hopes and seditious activities of the ignorant and the underprivileged. Because of certain historical accidents it had succeeded in conquering first Russia and then Germany. In both nations, each in its own way, it inspired the dream of world economic revolution.

Shortly after the death of Lenin, Stalin promised the Bolsheviki that the dream of world revolution would be revived when and if there should be a social revolution in Germany with which the Russian revolutionists could work. Apparently that moment had come to Stalin's satisfaction long before some of our American social democrats and their fellow travelers were aware. But Stalin in the meantime never ceased to build up in the capitalist democracies what are now called "fifth column movements" in preparation for some such strategy as began to be put in operation last September. The mischief which had been spread underground now rides in tanks, resorts openly to treason and works devastation from the air. No such triumphant march to destruction could have occurred had not the ground, on which a brave minority stood to defend their soil in Poland, Norway and France, been "softened",—that is, corrupted by a propaganda of socialist philosophy.

IT is significant that the three great capitalist nations which are declared to be each in turn an object of Nazi-Communist plans of conquest, France, England and the United States, have all been made relatively incapable of resistance by having passed through several years of one or another brand of "united front", a union of so-called liberals and socialists. There was the Blum administration in France with its sit-down strikes, its financial chaos, its divided councils and its consequent unpreparedness. There was the Baldwin-MacDonald-Chamberlain government, a sort of Labor-Conservative coalition, with its half-socialistic economic policy, its disarmament, its endless delays, its "appeasement". In the United States we have had some eight years of semi-philosophic, half-socialist, half-adolescent bureaucracy; a pathetically ignorant Congress which passed precisely the type of neutrality legislation which Germany would have desired. There have been, further, our false delusion of isolationism, the squandering of billions of dollars and of national credit which we now need for national defense, and the consequent present panic at the realization of our military inadequacy. We have allowed ourselves to be maneuvered into a position where we must either give up the Monroe Doctrine or run the risk

of having Nazi or Communist air bases across the Mexican border, or of trying to preserve the Monroe Doctrine with the help of a Latin America already saturated with Communist or Nazi penetration.

We could have known the revolutionary aims of Hitler, Stalin and Mussolini. These men made no secret of the fact that their governments were revolutionary, and that their revolution was world revolution. We saw what a Bolshevik minority had done to Russia. We saw what the Nazi mixture of conspiracy and mob had done to the German Weimar Republic. We saw how that Republic had unwittingly opened its doors to revolutionary tyranny in Central Europe. We knew that Russia and Germany were arming. We had here socialists and communists aplenty who had been pro-German almost to a man in the last World War, and who for a generation have deluged our working people, our half-educated educators and our perplexed youth with alien propaganda.

The politicians wanted votes. It was to their advantage to curry favor with pressure groups. Many of our educators with their slogan, "education for a new social order", were more than half sympathetic with the socialist sales talk of pretended humanitarianism. Large sections of our public lost their ability to face reality or to think critically. People were movie intoxicated, radio fascinated, mentally dulled by reading wood pulp magazines; habitually avoiding mental effort, hoping for economic benefits without labor, for peace without sacrifice and courage, for security without personal responsibility. This is precisely the soil in which revolutionary philosophy grows.

A PUBLIC which has thought and behaved as ours has done since 1918 will have in it large masses of people of all classes who are unable to face reality and may easily be deceived by the false faces of communist propaganda so that today they may even stand and sing without self-reproach about "the land of the free and the home of the brave". Such people cannot yet see that it is England alone which is fighting today for American independence, and that it is what is left of British fortitude on which we are now depending to keep out of the hands of German revolutionists a navy which could be used for the destruction of our economic and perhaps even our political independence.

I have said that the present war is merely the armed activity of a world socialist revolution. It must be clear to all now that this revolution is and has long been operating not merely with military strategy but also with all the techniques of propaganda and intrigue. Nearly a century ago, even before our present industrial system was well developed, Karl Marx called upon all the revolutionary forces in society to destroy that system the world over. "Workers of the world, unite! You have a world to gain, and nothing to lose but your chains." As in the case of all communist propaganda the irony of the last clause about "chains" is rather observable at present in view of the forced labor and loss of civil liberty in Communist Russia and in Nazi Germany.

Early 19th Century socialism was, however, a romantic hang-over from the days of the French Revolution. Early socialism was in part a revival of Rousseau's advocacy of the revolt against reason and civilization, and

the return to nature. Further, it was founded on such principles as Rousseau's attempt to array undifferentiated man, acting as mass, against the responsible though not always innocent elements in society whom he called the "classes". There was also Rousseau's dream of a paternalistic state ruled by direct mass action.

Rousseau also taught that the collective will of man acting as mass is the supreme and only sovereign; and that individuals and minorities are not entitled to protection against anything which the crowd wishes to do. He added that if there are those who refuse to be free under the crowd tyranny of all over each, "We will force them to be free." Hence the creed of the Jacobins in the French Revolution—Liberty, Equality and Fraternity, plus the guillotine. Hence, the communist practice of the liquidation of "class enemies". Hence, Nazi persecution of minority groups. Hence, the midnight revolutionary tribunals and concentration camps which must inevitably follow the triumph of the social revolution.

ROUSSEAU'S followers in the French Revolution—the Jacobins, men like Marat, Hebert, Robespierre—changed that historic movement as led by the Girondists and Mirabeau from its original purpose of establishing liberal, constitutional government like those of Great Britain and the newly born United States into a general breakdown of French society, into a reign of terror and dictatorship, with a final result of Napoleon's attempt to seize world power.

After Napoleon's failure the doctrines of Rousseau were revived by German romanticists and by communist anarchists like Bakunin, Baboeuf and Max Stirner. These radical leaders identified the "sovereign people" of Rousseau with the rising proletariat, and called upon the workers to abolish the law, destroy the state and confiscate property. The working class was urged with the help of young revolutionists to seize the wealth of the owning classes by resort to mob uprisings, and to hold such wealth collectively. Thus communist anarchism advocated the destruction of the political state and the enjoyment of "economic liberty" by all.

The third step in the development of contemporary revolutionary philosophy was made by the 19th Century German Idealists—notably by Hegel, who bitterly attacked the principles of English and American liberty. Hegel told people that everything human is in an eternal process of change, so that modern radicals have derived their doctrine of social evolution by revolution through the teachings of Hegel, not Darwin. According to Hegel the Idea becomes Will. (Germans commonly worship Will as the ultimate reality instead of regarding will, as do the British classical philosophers, as merely the act of choosing.) To Hegel's mind Will must reach its highest stage of evolution in the Germanic absolutist state. He regarded such a state as the Incarnation. He held that freedom did not really belong to individuals but to the organized collectivity. Indeed Hegel, like Rousseau, was a fore-runner of all present schools of socialism including the Nazis and the Bolsheviks.

*SOME of the men mentioned by Dr. Martin are among the historical personalities pictured on page 41.*

# Correspondent Trust Service

A. KEY FOSTER

*As assistant vice-president and assistant trust officer of the Birmingham Trust & Savings Bank, Birmingham, Alabama, the author is in charge of his institution's new business department, including both commercial and trust new business. The author's bank has used the plan described in the article below for a number of years.*

INSTEAD of attempting a trust installation that will unquestionably be an expense to the bank for many years, if not continually, the country banker should seek out some large and long established bank in a city near-by which has a trust department of proved and recognized experience. He should look for a trust department having not only years of experience but also a large volume of trust business and a good reputation. It is important to seek a trust department in the same general locality, because there is more likelihood that the problems of the estates to be administered will already be familiar to the trust officials.

The country banker, let us call him Mr. Brown, should then have a conference with the head of the trust department, explaining to the trust official the problem to be met. The trust officer will then proceed, either personally or through his trust new business department, to give Mr. Brown whatever facts he needs about trust services and the attractive features of his particular trust department.

Then Mr. Brown should give the trust new business department a list of names of persons in his community who are likely prospects for trust service. The trust officer should explain what a trust prospect really is, from his standpoint, and it would be well to discuss with Mr. Brown the assets of each of his prospects. The trust new business man should go over with Mr. Brown the problems of estate administration and point out to him the characteristics of an estate that make it attractive or unattractive from the point of view of this particular trust company. Mr. Brown knows all the essential facts about the estates of his customers and it is easy to work out with him these preliminary features.

Mr. Brown should be told some of the tax problems and difficulties that will arise upon the death of a well-to-do person, and he should be given a pamphlet containing an estate tax schedule.

He is now ready to go back home and start the ball rolling.

FIRST, the trust new business department should send some direct mail literature to the prospects, sending Mr. Brown copies of all mailing pieces. The country banker then proceeds to talk to a few of the prospects in an effort to induce them to agree to a conference with the trust representative. When two or three have made appointments, the new business representative will come over and in turn will confer with each prospect

along with Mr. Brown. It is important to have the country banker present at each conference, for it tends to inspire confidence in the prospect and it familiarizes Mr. Brown with facts about trust services that he should know.

The new business man tells the prospect frankly why the city trust department has been brought into the picture. He is told that, if Mr. Brown could afford to operate a trust department that could render services equal to the services available from the city bank, then it would be best to have the local bank serve as his executor and trustee, because Mr. Brown knows all his economic problems, knows business conditions in the community and is familiar with the domestic situation of the prospect. But this cannot be done, literally, on account of the prohibitive expense. The prospect should have an explanation of the reasons for this situation, so that he can understand the problems of his bank. The two bankers should explain to him that the same result can be obtained by the plan that is proposed—to appoint the city bank executor and trustee under his trust will and appoint the local bank as the local representative of the estate and the depository of the funds of the trust estate. (Of course it is best for the testamentary document to give to the trustee power to change this local designation in years to come if such a change proves desirable.)

THE net result is that the prospect gets the services of one of the most experienced trust companies in the entire state, perhaps, plus the advantage of the council and supervision of his local banker, who is interested in the dependents and has watched and helped the prospect accumulate the estate that is the subject of the trust. Mr. Brown is familiar with the local real estate conditions. He can be expected to rent the town real estate more advantageously than anyone else. At the same time, there are likely to be some farms included in the estate. The management and operation of farms is a delicate operation and no one knows more about it than the local banker, who has been engaged in lending money for farm operations for many, many years.

When the prospect agrees to the proposed plan, the trust new business man will prepare a summary of the necessary testamentary documents, including insurance trust agreements where indicated. The local attorney of the prospect is then brought into the conference. The prospect will be asked to direct his lawyer to work with the trust man and draft the documents as outlined by the trust representative.

In cases where the prospect carries considerable life insurance, his insurance counsel will probably also be consulted. It is possible to be very helpful to him by showing the prospect his need for additional insurance, in many cases, to furnish required cash for estate and



inheritance taxes, administration expenses and the like.

This plan contemplates that no local interest will be antagonized.

Now what of Mr. Brown, who is apparently giving up to the city trust company his best trust prospects? Let us assume that the estate is set up as we have outlined and that then the customer dies. Let us see how the plan works.

The insurance is collected and the proceeds are deposited in the local bank pending investment. The local lawyer is employed to probate the will and to attend to all other legal matters.

The real estate, including any stores and farms belonging to the estate, is turned over to the local banker to manage under the supervision of the trust company. Proper accounting forms and reports will be furnished by the trust company.

It is true that the cash will be invested by the trust company and the stocks and bonds will be taken over by it, but Mr. Brown's bank loses nothing here because the cost of rendering investment services is the most expensive feature of trust service and the responsibility is *great*. His bank is relieved of all this. On the other hand, his bank is employed as local agent to manage the city real estate, collect rents, supervise repairs and manage the farms, for which it is entitled to the usual agent's commissions. The commissions for these services are usually equal to the trustee's fees. And, in addition,

the income will be deposited with the local bank pending distribution to the beneficiaries. The beneficiaries, therefore, are retained as customers of the local bank instead of being weaned away by a competing local bank as would most certainly be the case if that other local bank were acting as trustee of the estate.

The local bank learns the trust business from actual experience and by first hand observation of the operation of the city trust company. If in years to come the community grows to the point that the local bank would be justified in installing its own trust department, it will find itself far along the road of experience at the start. It is then at liberty to point out to the trust customers who are still living and who have designated the city trust company under their wills that the local bank is now in position to serve their trust needs, and the wills may accordingly be changed.

There is nothing for the country banker to lose by such an arrangement and, it would seem, there is much to be gained.

There are many other advantages that will result from such an affiliation between banking institutions.

The beauty of the plan lies in the fact that everyone is benefited by it. Many valuable and pleasant connections for commercial banking have resulted from this original trust affiliation. It seems to me that there is a definite trend throughout the country toward the consolidation of trust business in a few large banks or trust companies in the larger cities of each state.

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## Case Histories

IN a letter to *BANKING*, Mr. Foster writes:

"I have a friend who is the president of a bank in a city about one hundred miles from here. When he assumed the presidency he found that the bank had some 20 or 30 small trusts, and, upon analyzing the cost of operating the trust department, he found that it was losing money.

"I advanced my plan to him, along with all the other bankers in the state, and, as a result, he proposed the plan to a family of four people, who own a plantation of about 30,000 acres in the northern part of the state. As a result of his recommendation, the heir who operates the plantation is now in the process of preparing a will designating this bank as trustee and designating the local bank as agent for the trustee.

"In another part of the state, several years ago, the president of the leading bank asked me to come down and make a talk at one of the civic clubs on the importance of making a will. After the talk, he took me around and introduced me to several of the wealthier citizens of the community and recommended to them, in my presence, that they make their wills and designate this bank as trustee and the local bank as agent for the trustee. As a result of this contact, a local merchant named us as trustee under his will. Since that time the merchant has built up a very prosperous business worth, perhaps, a half million dollars.

"In another city, about 50 miles from here, the president of one of the two local banks asked me to come over to see him, as a result of my having sent him a copy of my plan. He gave me the names of eight of the leading citizens, whom I placed on my mailing list. The banker later talked to these people and I have learned from him that two of them have designated this bank as trustee under their wills. I have not seen the wills and do not know whether they also provided that the local bank is designated as local representative of the trustee."

# Cupid-1940.....



1. Hillary Thompson was a likable chap



2. He was 62 years old and had never been married



3. This was a very strange situation, because throughout his eligible years he had been considered quite a catch



4. Hillary was an unusual case. It seems that the only time he could get up enough courage to talk to a girl was when he was riding in some sort of a vehicle



5. But between the ages of 20 and 30 his interest in marriage ran a poor second to his desire to keep the wagon tongue on the horizon



6. And when bicycles were in vogue he was too busy stunting to be bothered with proposing



7. Along came the era of the horseless carriage. Hillary bought himself the shiniest doggone automobile he could find



8. Its pickup was good, but Hillary didn't take full advantage of the fact



9. When he took any of his chosen ladies for a ride, strange to relate, the curves in the road were the most fascinating ones



10. As the years wore on, the rubber wore off



11. The car was definitely becoming a little shabby around the edges



12. Then suddenly . . . Ah! Proud beauty came into Hillary's life . . .



13. . . and his good eye shone with marked abandon



14. She was the widow Perkins



15. To Hillary, her every movement was a thing of beauty



16. Along about 1935 he decided that it was about time to ask her hand in holy wedlock



17. He took her for a ride, since that was the only place he could overcome his shyness



18. The car rattled so much and the engine was so noisy that she couldn't hear his proposal



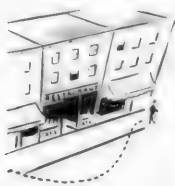
19. He tried time after time, year after year, but her bad ear was the near ear and he couldn't shout down that ancient engine



20. Now it was 1940 and Hillary thought that it was about time he got his point across



21. Especially since old Rodney Rascale had been pussy-footing around



22. Understand, of course, that Hillary loved his old jalopy and didn't want to part with it even though it cost him so much money that he had to miss lunch every other day



23. Until one day he saw a sign . . .



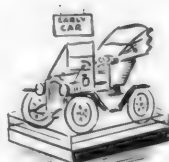
24. . . . and went to the bank . . .



25. . . . where a light dawned in Hillary's heart. Here in the confines of the bank he found the glorious answer to his problem:—Auto Loans, Lowest rates



26. He borrowed money and bought a new car



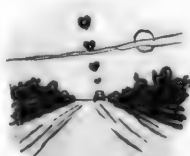
27. He got a particularly good trade since his old car had value as a museum piece



28. He found that the payments on the note would run just a little less than the amount that he had been spending for oil each month



29. His new car had a horn that played a verse and two choruses of "I Love You Truly." And it was a very . . . very . . . quiet car



30. Hillary managed to get his point across. For he had only to whisper the tender words . . .



31. . . . and the wedding bells were ringing in the widow Perkins' ear



32. An Auto Loan had played Cupid—1940 style

# Distribution of Consumer Debt

ROLF NUGENT

*The author is director of the Department of Consumer Credit Studies, Russell Sage Foundation.*

THE field of consumer credit, which Evans Clark only ten years ago called the "dark continent" of the American economic system, is rapidly being explored by painstaking research. Recently published monographs have described the history, technique and operating experience of the principal agencies that extend credit to consumers. Other recent studies have undertaken to measure the volume and outstanding amounts of various types of consumer credit and to analyze the economic consequences of consumer credit fluctuations. Now comes a brand-new study of one of the few inadequately-explored areas: the distribution of consumer indebtedness among income classes, geographic areas, and occupational groups.

This latest addition to the consumer credit bookshelf is *The Pattern of Consumer Debt: A Statistical Analysis*, by Blanche Bernstein, published by the National Bureau of Economic Research. It is the sixth volume of a series of consumer credit studies conducted by the Bureau under grants from the Association of Reserve City Bankers and the Rockefeller Foundation. The general findings of this study with respect to debts for instalment purchases were given in an earlier publication of the National Bureau (*The Statistical Pattern of Instalment Debt* by Young and Bernstein, Bulletin 76-7, National Bureau of Economic Research, New York, October 1939). The present volume, however, provides more detailed information for the field previously covered and presents additional material on debts for cash loans and charge accounts.

Miss Bernstein arrives at some interesting conclusions concerning the indebtedness of consumers during the 1935-36 period. She finds that one family out of four was indebted for instalment purchases, one family out of eleven was indebted for cash loans, and one out of nine for charge accounts. During the preceding year, many families had reduced their obligations, but a substantially larger number had increased them. It is noteworthy that the greatest net increase of debt relative to incomes occurred generally in the lowest income classes. Based upon her sample data, she estimates the net increase—during the schedule year ending with various dates in 1936—in aggregate indebtedness of all families in the United States for instalment purchases at 408 million dollars; for cash loans at 285 million dollars; and for charge accounts at 112 million dollars.

The frequency of debts for instalment purchases varied substantially among income classes, occupational groups, and geographic areas. The greatest use of instalment-sales credit was indicated for the \$1,750-\$2,000 annual income class, within which 32 per cent of all

families reported such debts. This percentage declined for progressively higher and progressively lower income levels. Indebtedness for instalment purchases was most frequent among wage-earners, less frequent among other non-farm occupational groups, and least frequent among farmers. Such debts were most frequent among families in large, middle-sized and small cities and least frequent among families living in metropolitan centers and rural areas. They were also most frequent in the Southern and Pacific states and least frequent in the North Central and New England states.

Debts for cash loans were most common among families in the \$2,500-\$3,000 income class and their frequency declined with progressively lower income levels. However, the greatest net increases in debt, both absolutely and in relation to income, occurred among families in the \$500-\$750 annual income class. Among occupational groups, cash-loan debts were most frequent among farmers. By types of communities, they were most frequent in rural areas and villages and least frequent in middle-sized cities.

THE distribution pattern of debts for charge accounts differed substantially from those for instalment purchases and cash loans. Charge-account debts were most frequent among families in the lowest income classes, were progressively less frequent until the \$1,500 income level was reached, after which there was little change for still higher income classes. Families in metropolitan centers made the least use of charge accounts; those in large cities, small cities, and villages the greatest.

Miss Bernstein's analysis has been cautious and painstaking and this writer finds little to quarrel with in her assumptions or in her statistical methods. In appraising the validity of her findings, the major question is one of the reliability of the data which she has used.

Among the general statistical studies in the field of consumer credit, Miss Bernstein's study is unique in that her data have come from the consumer (by way of the Consumer Purchases Study conducted in 1936 as a WPA project under the joint auspices of a number of Federal Government agencies). There are obvious advantages in going directly to the consumer for information concerning his obligations. Yet other students have felt obliged to rely upon data obtained from consumer credit agencies because of the common belief that most consumers would be unable or unwilling to give accurate information.

The material from the Consumer Purchases Study is undoubtedly the most reliable of its kind. The sample was carefully selected; information was collected by well instructed interviewers; and schedules were checked for internal consistency. Nevertheless, the possibilities of error are great in data voluntarily supplied by consumers from memory or from inadequate records.



# Insurance Loan Check Chart

R. A. BEZOIER

Mr. BEZOIER is cashier of the First National Bank, Rochester, Minnesota.

**A** FIRST requirement when life insurance policies are studied in connection with the granting of loans is to ascertain as much information as possible from the policies themselves. Essential facts not available from a reading of policy provisions should be obtained from the life insurance company. Where the assignment is not yet completed, a request for the data should be signed by the insured himself. If the assignment has been sent in, companies usually comply with the assignee's request for information.

The kind and amount of information required will depend somewhat on the size of the loan and the responsibility of the borrower. It will sometimes be necessary to check the standing of the insurance company by reference to some reliable source of information.

Starred information in the following outline of procedure is usually available from the policy and endorsements.

1. ASSIGNMENT. \*A. Can policy be assigned? (Some can not, such as some industrial and fraternal policies.)

\*B. What signatures are necessary for effective assignment? (Check carefully for endorsed changes.)

(Take assignment in duplicate and ask for return of one copy with notation of filing. American Bankers Association assignment form highly recommended. Take appropriate collateral note with proper acceleration clause.)

2. PREMIUM. A. Date to which premiums are paid?

\*B. Amount of premium?

\*C. Due dates of premiums?

\*D. District office where premiums are paid?

\*E. Length of grace period?

F. Is policy now in full force and effect?

G. Will company send duplicate premium notices to assignee? (Companies in New York State are required by law to send notices. Others should be requested to.)

H. Will company send duplicate premium receipts or notification slips regarding payment to assignee? (Some companies will do so and should be requested to.)

(Since issue there might be changes not shown on policy re: B, C, D. Tickler should be set up to insure proper supervision.)

3. CASH SURRENDER VALUE. \*A. Amount of cash value?

B. Amount of credits for dividends, and/or cash value of shares of surplus or dividend additions?

\*C. Amount of surrender charge?

D. Amount of prior lien?

E. Net amount of cash surrender value after deducting C and D?

\*F. Is this amount available before default in premium payment? (In some policies it is not.)

\*G. Is this amount available after default in premium payment? How long after default? (If a premium is not paid by due date it is *in default* technically, but policy does not lapse until expiration of grace period.) Surrender should be delayed as long as possible to prevent loss of protection to beneficiary.

H. What dividend option or share of surplus option is operative?

I. Will company comply with provisions in American Bankers Association assignment form Number 10 and issue a check to assignee only, at request of assignee only, for amount requested from proceeds of cash surrender value? (Frequently checks are issued only at joint request of insured and assignee, and are payable jointly in connection with use of ordinary assignment forms. The American Bankers Association form may overcome this objectionable practice. In fact numerous leading companies have indicated compliance with the American Bankers Association form.)

## 4. POLICY LOANS AND OTHER ENCUMBRANCES.

A. Amount of policy loan?

\*B. Interest rate?

C. Amount of premium loan?

D. Amount of accrued interest to certain date?

E. Amount of premium notes held and due dates?

F. Name of assignee, if any other than insurer?

G. Any other type of lien against policy?

\*H. Does company permit policy loans when premium payment is in default?

\*I. Does company permit policy loans on extended term insurance?

\*J. Does company permit policy loans on reduced paid-up insurance? (Most companies do.)

K. Does company permit assignee to obtain a policy loan at its sole request without liability of any kind pursuant to American Bankers Association assignment form Number 10, and will company issue check to assignee only?

## 5. IN CASE OF NON-PAYMENT OF PREMIUM BY END OF GRACE PERIOD

I. *Automatic Premium Loans.* \*A. Does policy provide for automatic premium loans?

B. If so, is this provision operative now?

C. After assignment is filed will company accept, from insured only, cancellation of automatic premium loan authorization without approval of assignee?

D. Will company permit only assignee to elect automatic premium loan provision pursuant to American Bankers Association assignment form Number 10?

II. *Extended Term Insurance.* \*A. Is policy automatically converted into extended term insurance? If so, how soon after premium due date?

B. If convertible by election of option, has election been made?

C. After assignment, will company accept election of extended term insurance without consent of assignee?

\*D. Does policy provide for cash values on extended term insurance?

E. If policy does not provide for cash values, is it currently a company practice to grant payment?

III. *Reduced Paid-Up Insurance.* \*A. Is policy automatically converted into paid-up insurance? If so, how soon after premium due date?

B. If convertible by election of option, has election been made?

C. Will company accept election of reduced paid-up insurance by assignee only, pursuant to provisions of American Bankers Association assignment form Number 10?

D. Will company accept election of option prior to default in premium payment or after default and during non-forfeiture period and make endorsement on policy, paid-up insurance not to become operative until one day prior to expiration of "non-forfeiture period"?

E. If reduced paid-up insurance provision is to become effective automatically or due to election, will company accept cancellation by insured only, without approval by assignee after assignment is filed?

\*F. Does policy provide for cash values on reduced paid-up insurance? (If not, assignee must protect itself within limited period mentioned in policy.)

G. If policy doesn't provide for cash values is it a company practice to grant payment? (See above comment, II E.)

6. **BENEFICIARY.** \*A. Who is beneficiary? (Watch for evidence of endorsements of change pasted on policy. It might be detached.)

\*B. Who is contingent beneficiary? (Look for endorsed provisions and check for minors or incompetents.)

\*C. Has right to change beneficiaries been reserved to insured? (On some policies this appears only in application, a copy of which is attached to policy.)

\*D. Will company accept beneficiary change subject to assignment?

E. Will company accept beneficiary change after assignment, not subject to assignment?

F. Will company honor request of assignee only, to issue a check payable to assignee only, for amount of its claim, and will company disburse residue to beneficiary pursuant to provisions of American Bankers Association assignment form Number 10? (See above, Section 3, Subsection I.)

G. If not, will company honor request of beneficiary and assignee to issue a check payable to assignee only, for amount of its claim, and will company disburse residue to beneficiary?

H. If not, will company honor request of beneficiary and assignee to issue a check payable to beneficiary and assignee for amount of assignee's claim, and will company disburse residue to beneficiary?

I. Does company insist upon paying assignee face amount and charging assignee with responsibility of distribution of residue, if any? (Some still might even with American Bankers Association assignment form; if so, acceptance of the policy should be reconsidered.)

7. **MODE OF SETTLEMENT.** \*A. Is there an option settlement plan elected, to become operative at death of insured?

B. Does assignment nullify or suspend settlement provisions? (Collateral assignment usually does not; absolute assignments do in some cases. It is important to investigate in interests of borrower.)

C. If policy is not payable in a lump sum, will company issue check at request of assignee only, payable to assignee only, for amount of its claim in a lump sum and will company disburse residue to beneficiaries in accordance with settlement provisions? (See above Sec. 3 I.)

D. If policy is not payable in a lump sum, will company issue check at request of beneficiary and assignee payable to assignee only, for amount of its claim in a lump sum and will company disburse residue to beneficiaries in accordance with settlement provisions?

E. If policy is not payable in a lump sum, will company issue checks at request of assignee only, payable to assignee only, or at request of beneficiary and assignee, payable to assignee or jointly for amounts of instalments as they come due, until assignee's claim is satisfied or until policy proceeds are exhausted if claim exceeds proceeds? If there remains part of the proceeds after liquidation of assignee's claim will company disburse residue to beneficiary in instalments?

F. Does company insist upon paying assignee face amount, charging assignee with responsibility of distribution of residue, if any, under option settlement? (If it does, acceptance of the policy should be declined.)

G. Will company accept a settlement option endorsement subject to an assignment?

H. Will company accept after assignment a settlement option endorsement not subject to assignment provided for payments other than a lump sum payment to assignee without approval of assignee (and contrary to provisions of American Bankers Association assignment form Number 10)?

8. **DISABILITY PAYMENTS.** (Not usually made after 55 or 60 years of age.) \*A. Does policy contain disability payment provisions?

\*B. If so, do provisions operate apart from and independently of the life policy? (Usually do.)

\*C. Does policy become a claim and subject to depletion in value due to disability payments? (Usually not.)

D. In event of disability payments being made is there any impairment of assignee's right to surrender policy or any other right under the assignment?

9. **MISCELLANEOUS PROVISIONS.** \*A. Has period of contestability expired?

B. If policy has annuity provisions operative, which option has been elected—life annuity or refund?

1. When are such provisions effective?

2. If on refund basis what is annual amount of reduction in cash surrender value?

\*C. Check procedure for reinstatement if situation requires. If policy has been reinstated, are assignee's rights affected adversely?

D. Do policy restrictions have important bearing on loan—military and naval service, occupation, residence, travel, aviation, or other conditions?

E. Special provisions on which information is needed.

# Defense Housing and FHA

ERNEST M. FISHER

*Dr. FISHER is Director of the Department of Mortgage Loan Research of the American Bankers Association.*

IT MAY BE taken for granted that in many localities the expansion of the manufacture of armaments and military supplies will increase employment in those localities to such an extent that a need for a considerable addition to the existing housing supply will be required. In the absence of the expansion of these facilities rent rises will be precipitate, and it may be that in many places the situation will go so far as to create a shortage in skilled labor because of the absence of adequate housing facilities for skilled workers and their families.

There are two major alternatives with respect to the manner in which these housing facilities might be financed. The first alternative is financing through private sources; the second is the use of public funds.

The ownership and operation of the housing facilities created to meet the emergency will probably follow the method of financing employed. If they are financed by public funds, public ownership will undoubtedly result. If private funds are utilized, the properties will probably remain in private hands during and after the emergency.

The use of public funds to expand housing facilities would not seem, except in certain special cases, to be justified at the present time, when the public credit will be employed in such a large measure in the purchase of military supplies, payment of increased public payrolls both of military and civil employees, and the meeting of other obligations the payment of which cannot be postponed. It would seem desirable to relieve the public treasury of as many of the demands as can be met from private sources.

FURTHERMORE, the building of housing with public funds for public ownership has been and probably should continue to be restricted to the creation of facilities for the use of the lowest income groups and for slum clearance operations. There is no reason to assume that the common laborers and skilled mechanics who will be engaged in the rearmament program will be underpaid to such an extent that they cannot meet an economic rent if prompt measures are taken to prevent the development of a housing shortage that brings on a rent rise that is exorbitant.

On the other hand, there are certain aspects of the emergency program which would make it hazardous for private capital to undertake the financing of housing facilities for workmen employed in the production of armaments and military equipment. The principal hazard arises from the fact that it is impossible to predict with any degree of accuracy the length of time such a program may continue. When the program is abandoned, there are likely to be very severe readjustments in the location of employment of skilled workmen.

It should be pointed out, however, that under the program of insured mortgages conducted by the Federal Housing Administration the position of the mortgage lender is protected against this hazard.

THERE would appear to be considerable merit in authorizing the Federal Housing Administration to protect against the special hazard involved in the position of equity owners in both rental projects and projects built for sale in communities where the armament program is going to create a demand for skilled labor. Such protection could be provided by the FHA by an agreement to purchase the equity at an agreed sum, only if, as and when the emergency was decreed by the President to be at an end, or the rearmament program was abandoned or completed. The same conditions now surrounding FHA operations in its rental or large scale housing program, conducted in accordance with Sec. 207 of the National Housing Act and current FHA Regulations, should be insisted upon in connection with these projects. The amount agreed upon under such conditions might be a percentage of the amount paid in on the equity. Such a program would require, however, special congressional authorization of the FHA, and the provision of special reserve funds for the purpose.

Such a program would prevent the Government from having to pour out large sums for the financing of housing construction, and at the same time it would enable rapid development of housing facilities and protect both the equity and the mortgage interests against the extraordinary hazards created by the rearmament program itself. In the long run, not only would a smaller amount of Government credit be involved, but the losses to the Government would probably be reduced to the minimum. The Government would be liable only for that portion of the loss directly attributable to the abandonment or completion of the rearmament program. This is a large public cost, and the advantages of some such plan as indicated appear to be that this loss would be largely agreed upon prior to the time of settlement.

These suggestions do not apply to three special situations which will probably arise:

(a) In those places where a new plant is established in non-urban areas for the production of war materials and supplies, housing for employees may properly be considered a part of the necessary plant, and probably should be supplied in the same way as the plant itself.

(b) Housing for unmarried workers, of a dormitory or hotel character, in areas near industrial plants that are being rapidly expanded may have to be supplied on some special basis.

(c) Both civil and military personnel employed by the Army, Navy or Marine Corps will probably have to be furnished quarters by the Government itself.

# Do Your Christmas Thinking



STAGE COACH THRU THE MISSOURI HILLS

A REPRODUCTION of one of a series of paintings done for Boatmen's National Bank by Oscar P. Everett, showing modes of transportation at the time of the founding of the Bank.



Above, Boatmen's National Bank, St. Louis, and Bank of New York. Right, First Deposit & Trust Co., Syracuse, N. Y. Left, First National Bank in St. Louis



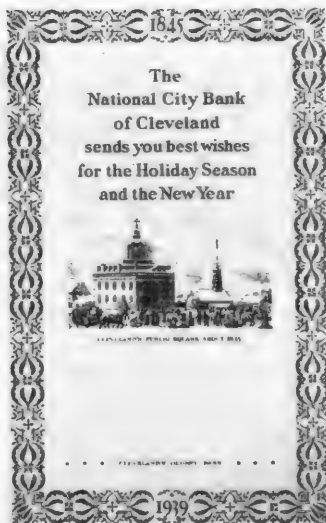
A reproduction of a painting by Oscar P. Everett, showing modes of transportation at the time of the founding of the Bank.



Christmas Greetings and Every Good Wish for the New Year

*With sincere*

The four cards below show the variety of designs used by one bank, National City Bank of Cleveland



HOME OF THE CITY BANK'S FIRST CHRISTMAS 1845



The National City Bank of Cleveland sends you best wishes for the holiday season and the new year . . . . .



THE OLD CITY BANK OF CLEVELAND Christmas 1845



# Early

**B**ANKING's readers were given this reminder just a year ago, and here it is again. It was observed then that the historic theme appeared to be the most popular among those who select greeting cards for banks, and that still holds true. Usually the bank's location or early history furnishes the motif. Here is another crop, without, we regret, the bright colors in which nearly all are printed.

A MERRY CHRISTMAS

AND A

HAPPY NEW YEAR



George E. Dawson

Wells Fargo Bank & Union Trust Co.  
San Francisco



*Left, American National Bank, Nashville. Below, left, Chase National Bank; right, Bank of the Manhattan Company*



SEASON'S GREETINGS



*Left, the colorful scene on a card of the Cleveland Trust Company, Cleveland, Ohio, is this bank's main office*



*Right, a card of the Troy Savings Bank, Troy, New York*

# The Legal Answer Page

## Wage and Hour Act

1. *What changes, if any, in the limitations of the Fair Labor Standards Act as to minimum wages and maximum hours become effective this year?*

THE minimum wage remains at thirty cents an hour. On and after October 24, 1940, the workweek is limited to forty hours, unless the employee receives compensation at a rate "not less than one and one-half times the regular rate at which he is employed."

2. *Does the Administrator of the Wage and Hour Division have the right to inspect the wage and hour records of an employer without showing reasonable grounds to believe that the employer has violated the act?*

A decision of the Seventh Circuit Court holds that he does have such right "in view of the scope and purpose of the Act, the proper exercise of the authority conferred upon him, and the effective performance of his duties. His inspection of the employer's records under such circumstances is not an unreasonable search and seizure in violation of the Fourth Amendment to the Federal Constitution."

The court dismissed the contention that the subpoena was invalid because the records required would include the records of employees not entitled to the benefits of the Act. Nor was the court persuaded by the contention that the subpoena was invalid on the ground that there is no showing that the records required are described in the Act or regulations as records which the employer must keep. [*Fleming v. Montgomery Ward & Co., Inc.*, July 18, 1940, as reported in *United States Law Week*, Vol. 9, No. 5, p. 2073.]

## Payment of Checks

*What responsibility lies on a bank to credit deposits received before closing time in order to pay any of its depositors' checks which may be in the institution or in the process of being returned because of insufficient funds?*

THE inquiring bank is seeking to adopt some procedure which will enable it more readily to comply with the Wage and Hour law. It proposes to debit all checks and credit all deposits received prior to two o'clock. All checks not found to be good at that time are to be returned or protested, and all deposits received after two o'clock are to be receipted in the customer's passbook under the day's date followed by the letters P.M. These deposits will not be used in the payment of any checks which were not good at the dead line.

From a strict legal viewpoint, it seems that the bank would incur no liability provided that the checks are actually returned or protested at two o'clock. No rule or law is known that requires a bank to hold checks received in the morning mails until the close of banking

hours and apply in payment thereof deposits made during that day. Inasmuch as a check is payable immediately upon presentment and demand, if there are insufficient funds on deposit to pay the same at the time it is received in the morning mail, it may be immediately returned or protested. However, if the bank retains the check unprotested until three o'clock and deposits sufficient to cover are made before three, the bank would doubtless be held liable for wrongful dishonor if it thereafter returned or protested it.

## Certification—Garnishment

*Where the bank's depositor draws a check payable to a designated payee and has it certified, but never delivers the check, and B subsequently garnishes the account, is the certified check covered by the attachment?*

THE theory on which this question is predicated is that the bank is not liable upon such an instrument until it is delivered to the designated payee and that, therefore, it is still liable on the depositor's account. However, this premise does not seem sound since it has been held that the bank does incur liability upon such an instrument to the depositor, which he can enforce, although the instrument does not indicate his ownership.

If the check had been drawn by the depositor payable to a designated person who was not intended by the depositor to have any interest in the instrument, an additional reason would exist for not holding the bank liable as garnishee, for in such a case the instrument would be payable to bearer.

This is one of the problems considered in the new edition of *Palon's Digest*. See the chapter on Attachment and Garnishment.

## Collateral Security

*If recovery on a debt is barred by the statute of limitations, may the collateral securing the debt be retained and realized on by the creditor?*

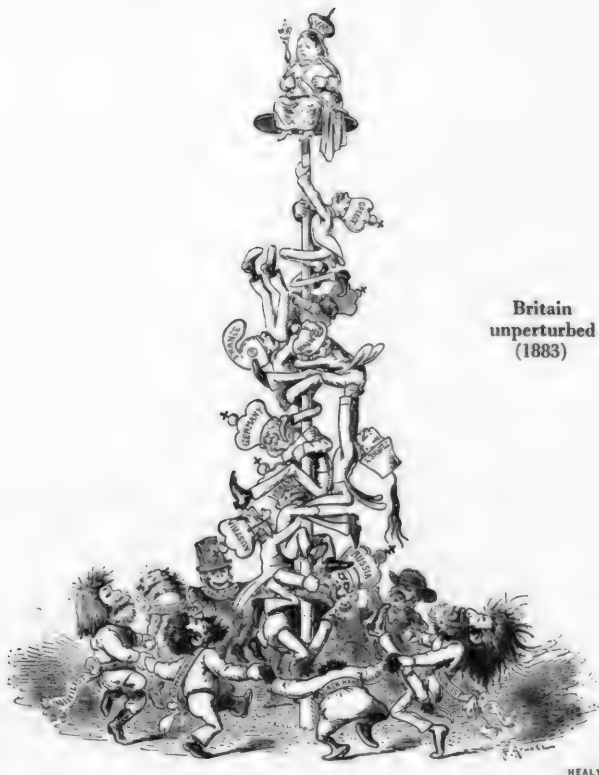
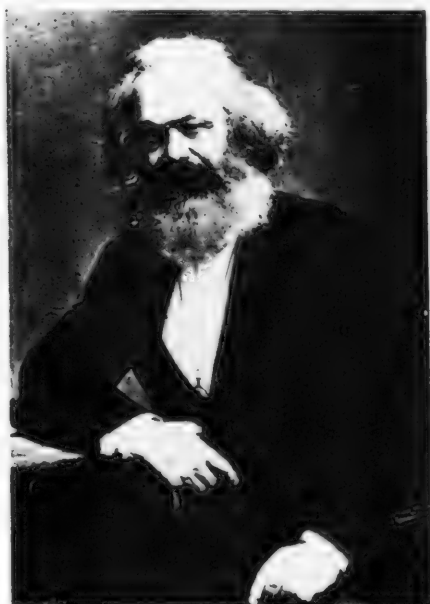
THE general principles of law involved are stated in *Corpus Juris* as follows: "... it is a general rule that a creditor may hold and realize on collaterals pledged to secure a debt, although action on the principal obligation is barred by limitation. And it is universally held that a pledgor cannot recover possession of the pledged property without paying his debt, although the debt is barred by the statute of limitations." (37 *Corpus Juris*, p. 701.)

Of course, remedy on the collateral may be barred by a statute of limitations irrespective of that running upon the debt. But if the statute has not run upon the security, it may be held or sold by the creditor although the principal debt secured thereby is no longer enforceable.

# The War's Socialistic Ancestry

ON these pages are pictured some of the men and events mentioned by Everett Dean Martin in his article "What This War Means."

Long before Hitler, Stalin and Mussolini arrived, ideas they have taken over were being prepared for them by these men of the 18th and 19th Centuries.



"Nearly a century ago," says Dr. Martin, "even before our present industrial system was well developed, Karl Marx (*left*) called upon all the revolutionary forces in society to destroy that system."

"Early socialism was in part a revival of Rousseau's (*below, left*) attempt to array undifferentiated man, acting as mass, against . . . the elements in society whom he called the 'classes.'"

". . . Hegel (*below, center*) like Rousseau, was a forerunner of all present schools of socialism, including the Nazis and the Bolsheviks."

"Rousseau's followers in the French Revolution . . . men like Robespierre (*below, right*) . . . changed that historic movement as led by the Girondists and Mirabeau from its original purpose of establishing liberal, constitutional government . . . into a general breakdown of French society."



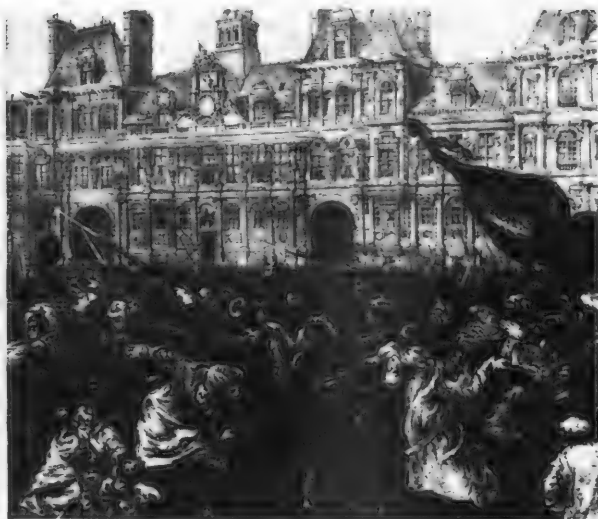
PORTRAITS FROM CULVER



A picture entitled "The Girondists". The Girondists were a political party in the Assembly and Convention during the Revolution. They often gathered in the salon of Madame Roland; later, around the guillotine

The French Reign of Terror and dictatorship finally gave place to Napoleon, *right*, and his attempted seizure of world power

At the end of the Franco-Prussian War, which launched Germany as a world power, the insurrection of the Commune put Paris temporarily "under the red flag", *below, left*. *Below, right*, a British jibe of 1871 at politically fickle France, who is here shown in the process of trying a new hat

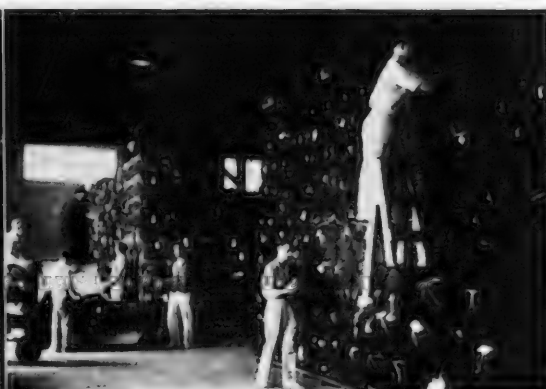




# A Month in History



ACME



EUROPEAN

**"SELECTIVE SERVICE".** Above, left, the joint Congressional committee which ironed out House and Senate differences in the conscription law. Above, right, a Quartermaster depot, where preparations are being made for turning out great quantities of army uniforms and equipment



EUROPEAN



WIDE WORLD

**HEMISPHERE DEFENSE.** We swapped some destroyers (above, left) with England for leases of naval base sites important to our defense. Secretary Knox (above, right, with Rear Admiral Hepburn) made an inspection tour which included Hawaii

**WHO'S AHEAD?** Republican Chairman Martin (below, left) and Democratic Chairman Flynn (below, right) have brought their entries to the curve that leads into the home stretch. A new poll is reported daily and campaign buttons are in abundance



WIDE WORLD PHOTOS



P. P. C.



GUILLUMETTE

**BATTLE OF BRITAIN.** Everyone in Britain (*above, left*, a freshman machine-gunner) did his bit to avoid the fate of Continental nations over-run by the war machine (a German-held city, *above, right*). The savage attacks and citizen defenders remind one of Indian raids in early America



P. P. C.



WIDE WORLD

**FAR-FLUNG EMPIRE.** While British fighters (*above, left*) were harassing Italian advances in Africa, their compatriots were leaving a Chinese city (*above, right*) to music played by a U. S. Army band

**SOUTH AMERICAN RELATIONS.** U. S. sailors of the cruisers Quincy and Wichita participated in the Independence Day parade (*below, left*) in Rio de Janeiro on September 7, at least an outward sign of friendliness. *Below, right*, American planes at an airport in Brazil. Air transportation is only one of many fields of enterprise where the U. S. finds totalitarian competition to the southward



H. B. PHOTOS

**BANKING**

# How To Sell Bank Service

THE use of the sound slide film as a sales training device for bank officers and contact employees, and the injection of humor, is further evidence of the growing awareness among banks that modern merchandising of services is as essential in banking as it is in other lines of business.

The Cleveland Trust Company has just completed showing a sound slide film entitled *The Plumber Forgets His Tools* to about 1,000 of its staff members, part or all of whose job it is to talk new business or to make customer relations calls.

The picture people, who have had long experience in producing such films for other types of business, made this comment in their recommendation:

"There is no group in the world any harder to train than men of intelligence who have positions of responsibility and who have been at their jobs for a period of time.

"If in this film we take ourselves too seriously—if we presume to lecture our audiences—we're doomed to failure from the start. If we take the subject lightly, the dose immediately becomes palatable.

"The title, like the film itself, should be light, perhaps a little on the ridiculous side. Let's start our audience off with a chuckle; we'll get down to brass tacks soon enough. But it will do us no good unless we have the attention and sympathy of those who are seeing the film. Truly, the

Cleveland Trust representative who calls on a prospect unprepared is just as negligent and just as foolish as the proverbial plumber who forgets his tools.

The film, after describing the somewhat fumbling approach of one Lummo, representing a mythical and competitive 12th National Bank, then depicts the right approach as portrayed by a "Mr. Keane of The Cleveland Trust Company", and shows how in the course of his call on an irascible business man, harrassed by the day's bad breaks, he brings up reference to many services which the bank offers.

The film stresses four points: (1) Know the services the bank has to offer; (2) know all you can about the prospect; (3) have a plan, and (4) be an opportunist. It includes an interesting analogy (in addition to that of the plumber) about the surgeon who operates only after he has made an exhaustive study of both his own technique and the case history of the patient. There are interesting shots in a hospital and laboratory and a running fire of hard-hitting sales material about the major bank services.

The bank is also at work on an all-color motion picture with sound, for showing to the public, particularly to high school students, luncheon and service clubs, parent-teacher groups and similar organizations.

I. I. SPERLING



Mr. Potts is having a bad day. Plant No. 2 has shut down, XYZ Co. wants a credit extension, etc., etc., etc.

However, Keane is the kind of fellow that gets down to brass tacks at once—knows what he's doing and impresses Potts immediately



Mr. Lummo of the 12th National Bank calls, makes a few vague remarks about the services his bank can render, and is almost thrown out

Keane describes some of the specific services that his bank can render Mr. Potts' organization



When Mr. Keane of the Cleveland Trust is announced, Potts considers barring the door

The visitor's fund of information on Potts' business astounds the latter. It was drawn from the bank's complete and up-to-date files

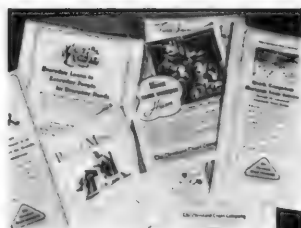




In other words, Keane's preparation for this interview was as careful as a surgeon's study of a case before the operation



This, of course, requires Mr. Keane to keep himself informed of the bank's advertising and promotion programs, new and revised services, etc.



Keane also has specific information for Potts' treasurer, whom he is likely to see, crusty Mr. Pockets



The array of bank services that Mr. Keane offers astonishes his prospect . . .



To Pockets he will explain, among other things, the bank's rapid, efficient way of doing business with modern equipment



. . . who calls the treasurer and tells him that Mr. Keane will be right down for a talk. They've been missing something



He also has a story ready for Mr. Worldwide, who is Potts' export manager and a key man from the bank's standpoint



For the first time that day Potts relaxes. He can shift some of his private and business worries to a bank ready and willing to help



Hiram Goode, the Potts personnel director, will be interviewed. He will be interested, for example, in employee personal loans . . .



Keane's explanation of his success is simple—know all about the bank, all about the prospect, have a plan and be an opportunist



. . . and the bank's modernization plan. Keane has his facts ready for the interview well ahead of time

But these are the two most important of all





# “Meigs County’s Answer”

A FEW years ago the Pomeroy (Ohio) National Bank realized it was missing an opportunity that stood in its front yard.

Agriculture is Meigs County's leading source of income, and the bank decided it had neglected what could easily be a more important source of income and an equally important service to the community—farm loans.

So the Pomeroy National got busy. It laid out a program for helping the farmers improve the breeds of their livestock and poultry, importing at various times several carload lots of cattle from the West.

“To date,” reports Edison Hobstetter, cashier, “the farmers have been able to show quite a substantial increase in their income, which naturally gives them more money to spend with our merchants. There are about 200 farmers who have taken advantage of our willingness to assist them and all are highly pleased with the results.”

The bank has two motion pictures, *Livestock in Meigs* and *Meigs County's Answer*, which it shows to Grange and other farmers' meetings. The scenes are entirely local, demonstrating soil building, dairying, and fruit and truck farming. The second film is in color.

“We are stressing the farm angle,” says Mr. Hobstetter, “because it is very hard for us to get an industry and we feel that the 2,700 farms in Meigs County are an industry in themselves. If we have any excess energy to expend, we should use it in the further development of something we already have in the county, at the same time not overlooking any help we might be able to give in getting an industry.”

In April 1938 the bank disposed of its corporate bonds “because of their low yield and fluctuating values, and adopted the tactics we are now using in increasing our loans to farmers.” There has been a large increase in loans and a substantial rise in undivided profits.



Above, Mr. Hobstetter with his camera. Right, an announcement used in promoting one of the films

## Pomeroy National Bank Pomeroy, Ohio

PRESENTS

### *Meigs County's Answer*

Much has been said about the unlimited possibilities of the further development of industry in our county, but recently farming has been given serious consideration.

We must think first of building our soil in order that we may raise more of our feed, make better pasture and prevent soil erosion on our farms.

We believe that the 2700 farms in Meigs County are an industry within themselves and . . .

This picture is shown with the desire that you reap the benefits that come with better farming through soil building practices and better breeds of livestock.



Above, Hart Stanbery, president of the bank, and Mr. Hobstetter. Below, a clipping and another picture-making scene

## Banker Leads In Move for Better Stock

POMEROY — “Meigs County's Answer,” a home movie showing scenes throughout the county, will be shown Saturday night at a meeting of Hemlock Grange. These pictures, taken by Edison Hobstetter, Pomeroy banker, have been shown at farm meetings in all parts of the county. One of the objectives of the film is to show the importance of high grade live-





Employees of the Midland National Bank and Trust Co. marching in the parade

## Minneapolis Banks on Parade

EARLY last Spring, two Minneapolis businessmen discussed the prospects of Minnesota tourist trade for the coming season. Someone mentioned that a week of festivities similar to New Orleans' Mardi Gras would prove to be a business stimulant. A luncheon of leading business firms' representatives was called, and at that meeting was born the "Aquatennial", the largest and most colorful event the Twin-Cities area has ever seen.

The event was incorporated under the name of Minnesota Sports Attractions Inc., and financed through the sale of memberships to business and industry, at costs ranging from \$10 to \$100. Buttons were sold to citizens at \$1 each. The association went into preparation with a budget of \$110,000 to spend on making the week from July 20 to July 28 something to be remembered in Minnesota history.

Some two hundred events were planned, including a giant parade on the opening day, concerts, style shows, boat races, an air circus, an aquatic exhibition and musical comedy chorus entertainment. Floats were constructed for leading business firms by the makers of the famous Mardi Gras floats. Principal industries and institutions entered floats, marching units of parades and bands. Local belles donated their services in the musical chorus, and all business firms plugged the Aquatennial with window displays and advertising.

On the night of July 20, despite the intense heat, over 200,000 persons turned out to witness the most elaborate parade ever passing through Minneapolis' loop, which was five miles long and lasted from four in the afternoon until eight in the evening. Over 200 floats, marching units and bands were in the parade.

Local banking institutions were leaders in supporting and promoting the Aquatennial, contributing liberally in memberships, and in marching units comprising hundreds of employees. The Northwestern National Bank, with 700 employees, set an all-time high by entering a marching unit of 600. All employees of this bank had special "Aquatennial"

uniforms for the parade, and wore them to work during the week preceding the opening, and during the week of the celebration. Window displays emphasized the bank's support of the event, with everyone from President Shirley Ford to the newest office boy working on behalf of the municipal promotion. F. C. O'Brien, assistant vice-president, served on the floats and parade committee, in setting specifications for floats entered in the parade. According to W. O. Johnson, assistant cashier, the event had definite value to the bank from the standpoint of increasing morale and *esprit d'corps*, as well as the contribution it made to the betterment of local business. At the "First Aquatennial New Year's Eve Dance", a social event sponsored for the participating firms, the Northwestern Bank's employees attended clad in their Aquatennial uniforms, and attended most of the events on the program en masse.

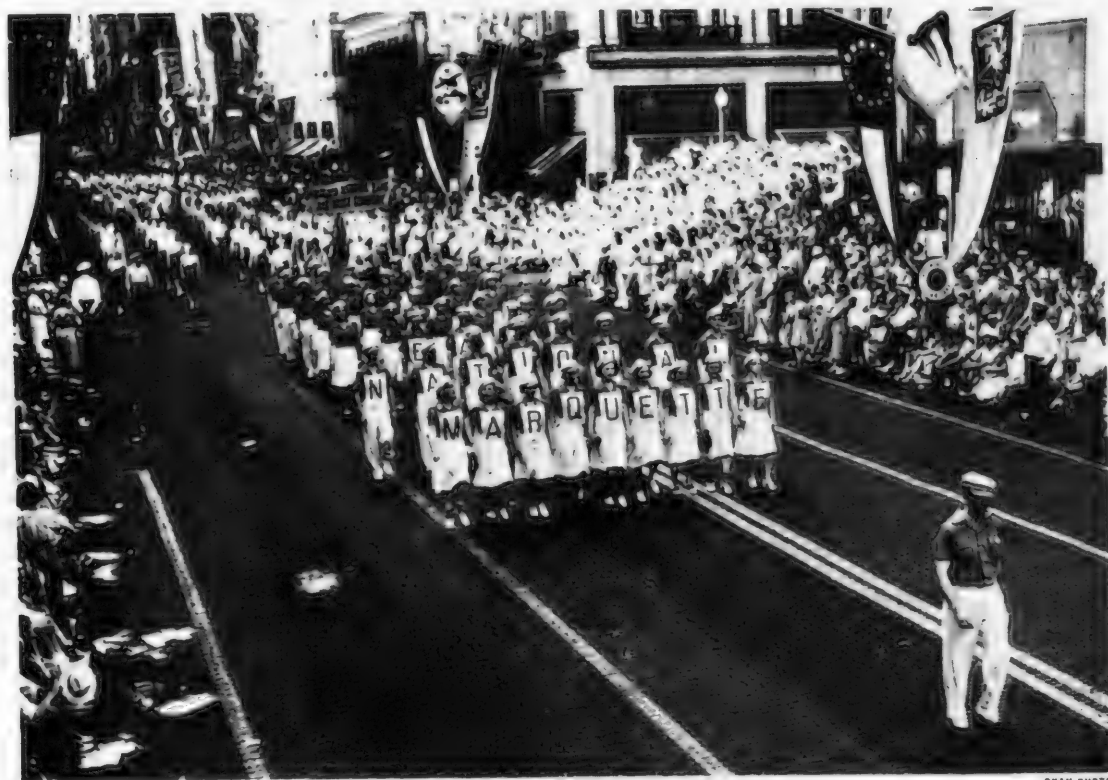
The Midland National Bank & Trust Company entered a marching unit of 75 employees, which represented 75 per cent of the bank's staff. The bank's officials marched in the parade with the employees. This bank also had an entrant in the contest for the title of "Queen of the Lakes", the Aquatennial beauty contest. Miss Marian Campbell, the Midland Bank's entry, received honorable mention in the judging.

The Marquette National Bank entered a marching unit composed of some 50 employees, clad in an attractive two-color uniform. The unit was headed by three ranks of marchers, each wearing a huge letter spelling out the name of the bank.

Bank officials estimate that between two and three million people attended the schedule of events in the Aquatennial, including both unpaid and paid exhibits and events. This included a vast amount of traffic drawn from neighboring states, partly through the inclusion of neighboring states in the Queen of the Lakes Beauty Contest. Plans are already being made for a repetition of the event in 1941, and its institution as a permanent annual event.



*Above, Northwestern National Bank's turnout of 600. Below, Marquette National's contingent*



October 1940

RYAN PHOTOS



The Northwestern National Bank tied its window display in with the Minneapolis Aquatennial, as did many other businesses in the city. The bank also pushed the sale of Aquatennial buttons



REAR PHOTO



The above group of Northwestern Bank employees are but a small portion of the 700 employees who garbed themselves in uniforms for the first time in the history of that institution and wore them continuously during the week of the Minneapolis Aquatennial. Over 600 marched as a unit in the Saturday parade. This group is pictured attending, as representatives of their bank, the "First Annual Aquatennial New Years Eve Dance"

Miss Marian Campbell, representing Midland National Bank in the Queen of Lakes beauty contest of the Minneapolis Aquatennial, looks upward toward the judges stand for the signal which may determine whether or not she is winner of the contest. On the left, Gene McCarthy, director and producer of the Aqua Follies, is expectantly awaiting the turn which may bring Miss Campbell a trip to the West Coast

**BANKING**





1



3

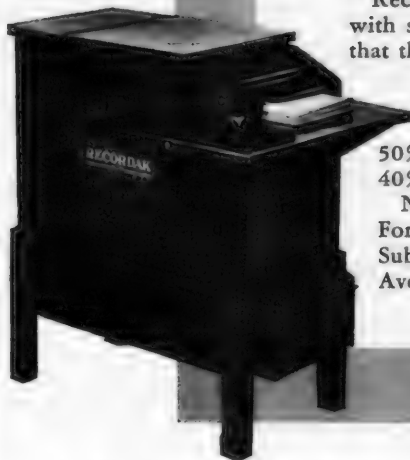
# RECORDAK

means

picture-perfect

records at lightning speed

... and at low cost



2



4

**Y**OU can't avoid shorter hours, month ends, special absences. You can avoid overtime... with Recordak. The experience of thousands of banks proves its speed, accuracy, and economy.

Recordak Systems are extremely flexible—installed with such a generous allowance for increased volume that the staff handles peak loads with little extra effort and in far less time.

Recordak *saves* substantially... up to 45% net in Bookkeeping Department operating expense, 50% in the Transit Department, 50% in stationery, 40% in machine equipment, 98% in storage space.

No capital outlay is required; Recordak is *rented*. For further information write Recordak Corporation, Subsidiary of Eastman Kodak Company, 350 Madison Avenue, New York, N. Y.

**1** *Reversible Recordak. Rental \$30 per month. Photographs both sides of checks and larger bank forms at a single operation—and at lightning speed.*

**2** *Bank Model Recordak. Rental \$25 per month. For speeding up the transit operations and for photographing paid checks for the protection of banks and depositors.*

**3** *Recordak Junior. Rental \$12.50 per month. For smaller banks, and special departments of large banks (tellers' cages, safe deposit vaults, trust departments, etc.).*

**4** *Commercial Recordak. Rental \$30 per month. For photographing all bank forms. Widely used for the Recordak System of Single Posting and other special applications.*

## RECORDAK PHOTOGRAPHIC ACCOUNTING SYSTEMS



# INVESTMENTS MAY NOT BE *Securities*

There is a common tendency to think that Investments and Securities are synonymous. But when the Banker classifies an investment as good or bad he is probably automatically rating them as secure or insecure. Therefore we say that all investments are not securities.

While security involves numerous factors, the Banking and Investment World are almost universally agreed that the factor of insurance protection cannot be lacking in a really secure investment. The reason is that insurance is the only practical means of providing against the uncertainties which will always be present in the "tomorrow".

Sound, adequate Capital Stock Company insurance cannot prevent unpredictable moral or material disasters from occurring but it is the surest known way of guaranteeing that if they occur, any resulting financial loss will be reimbursed.

When you have an insurance problem related to any of your own or your clients investments, here is a suggestion. It may be helpful to consult an expert agent of the Commercial Union Group, one of the largest and strongest groups of Capital Stock insurance companies in America. He will intelligently explain the various hazards to which your investments are exposed and can furnish practically any kind of insurance or bond necessary.



## COMMERCIAL UNION GROUP

COMMERCIAL UNION ASSURANCE COMPANY, LTD.

AMERICAN CENTRAL INSURANCE COMPANY

COLUMBIA CASUALTY COMPANY

THE PALATINE INSURANCE COMPANY, LTD.

THE CALIFORNIA INSURANCE COMPANY

THE OCEAN ACCIDENT & GUARANTEE CORPORATION, LTD.

THE BRITISH GENERAL INSURANCE COMPANY, LTD.

UNION ASSURANCE SOCIETY, LIMITED

THE COMMERCIAL UNION FIRE INSURANCE COMPANY

NEW YORK

CHICAGO

ATLANTA

SAN FRANCISCO

HOME OFFICES, ONE PARK AVENUE, NEW YORK, N. Y.

# Simplified Forms

## Instalment Notes and Pledge Agreement

WITH the increase in instalment loans came an increased demand for adequate note forms. The American Bankers Association has always sponsored uniformity in forms but because of the lack of uniformity of the law in the various states, it seemed impractical to attempt to draft a uniform note form that would afford adequate protection to the banks. Furthermore, there is a wide divergence of opinion as to the type of protection that a bank should seek to obtain in its notes. Many bankers are of the opinion that very simple and fully negotiable notes should be used. Others champion forms containing all possible protective provisions, even at the expense of sacrificing negotiability.

Therefore, the Legal Department of the American Bankers Association attempted to draft forms of instalment note, instalment collateral note, guaranty and general pledge agreement that could be used as a guide by bankers and their attorneys in drafting the forms that are best adapted to their particular needs. These forms seek to incorporate full protective provisions and by footnotes indicate that certain provisions set forth in brackets may not be enforceable or may destroy negotiability in certain jurisdictions. It is contemplated that bankers desiring fully negotiable notes may delete the appropriate bracketed provisions and supplement the note with a general pledge agreement. Earlier drafts of the forms were submitted to the state bankers associations for criticisms and suggestions and much helpful material has been supplied by various secretaries and counsel for the state associations.

It is contemplated that the form problems presented by instalment loans will receive further study by the Bank Management Commission's Committee on Simplified Bank Operating Forms, and in this connection the Legal Department submits the following latest drafts and invites discussion. They are not presented as recommended forms and the Legal Department specifically cautions banks that the forms should not be adopted without first consulting local counsel.

### INSTALMENT NOTE FORM

#### BLANK NATIONAL BANK

No. .... \$.....  
City ..... State ..... Date ..... 19.....

FOR VALUE RECEIVED, the undersigned jointly and severally promise to pay to the order of Blank National Bank (hereinafter called the "Bank") at its office in the City of ....., State of ....., the sum of ..... Dollars (\$.....), in ..... instalments, as follows: \$..... on ..... 19..... and an equal amount at regular monthly intervals thereafter until ..... 19....., when the entire amount of prin-

cipal then remaining unpaid shall be due and payable. Interest on unpaid balances calculated at the rate of .....% per annum shall be payable with each and every instalment or payment of principal.

[In the event that legal proceedings be instituted to collect any amount due upon this note, the undersigned, jointly and severally, agree to pay to the holder hereof in addition to the amount of the unpaid balance of principal and interest, all costs and expenses of such proceeding, including reasonable attorney's fees.<sup>1</sup>

Upon the happening of any of the following events, the Bank or other holder may, at its option, forthwith accelerate the maturity of all instalments then remaining unpaid and the unpaid balance hereof shall thereupon immediately become due and payable without demand or notice, viz: (1) failure to pay any instalment of principal or of interest on the due date thereof; (2) default in payment or performance of any obligation of any of the undersigned to the Bank; (3) death or dissolution of any of the undersigned; (4) if any of the undersigned or any indorser, surety or guarantor of this note shall become insolvent, make a general assignment for the benefit of creditors, or if any proceeding of any nature under the Federal Bankruptcy Act, as amended, or under any state insolvency statute, be commenced by or against any of them, or a receiver be appointed of, or a writ or order of attachment or garnishment be issued or made against any of the property, assets or income of any of them.<sup>2</sup>

The undersigned, and each of them, hereby give the Bank a lien for the full amount of this note and of all other liabilities and obligations of any of the undersigned to the Bank, whether absolute or contingent, now existing or hereafter arising, due or to come due, secured or unsecured, joint or several, upon the title or interest of the undersigned and of any of them in all property and securities now in or at any time hereafter coming into the custody or possession of the Bank, whether for the expressed purpose of being used by the Bank as collateral security or for any other purpose, and upon any balance or balances standing to the credit of any accounts maintained with the Bank by any of the undersigned. Upon failure to pay this note, or any instalment thereof, when due or declared due, the Bank may foreclose the aforesaid lien without judicial proceedings by selling such property at public or private sale, at such price or prices, and upon such terms and conditions as the Bank in its sole and absolute discretion may determine, without demand, advertisement or notice of any kind, all of which are hereby waived, and apply the proceeds remaining after deducting all costs of sale, and any balance then standing to the credit of any account maintained with the Bank by any of the undersigned, in payment or reduction of the amount due hereon, and each of the undersigned and all indorsers, sureties and guarantors hereof shall remain liable for any deficiency.<sup>3</sup>

The undersigned and all indorsers, sureties and guarantors hereof hereby jointly and severally waive presentment for payment, demand, notice of nonpayment, notice of protest and protest of this note, and all indorsers, sureties and guarantors hereof consent [to any and all extensions of time, renewals, waivers, or modifications that may be granted by

## BANKING



on the due date thereof; [(2) default in payment or performance of any obligation of any of the undersigned to the Bank; (3) death or dissolution of any of the undersigned; (4) if any of the undersigned or any indorser, surety or guarantor of this note shall become insolvent, make a general assignment for the benefit of creditors, or if any proceeding of any nature under the Federal Bankruptcy Act, as amended, or under any state insolvency statute, be commenced by or against any of them, or a receiver be appointed of, or a writ or order of attachment or garnishment be issued or made against any of the property, assets or income of any of them; (5) if at any time the collateral deposited as security for the loan evidenced hereby shall decline in value or become unsatisfactory to the Bank, and the undersigned shall not immediately upon demand, make payment in reduction of the principal or furnish additional collateral satisfactory to the Bank; (6) failure on the part of the undersigned to do all things necessary to preserve and maintain the value and collectibility of the collateral, including, but not limited to, the payment of taxes and premiums on policies of insurance on the due date without benefit of the grace period.]<sup>2</sup>

Upon failure to pay this note, or any instalment thereof, when due or declared due in accordance with the provisions of the preceding paragraph, full power and authority are hereby given to the Bank to apply any balance then standing to the credit of any accounts maintained with the Bank by any of the undersigned, and to sell, assign, transfer and deliver the whole of the collateral security or any part thereof, or any substitute therefor or addition thereto, or any other property or securities of any of the undersigned then in the possession of the Bank, at public [or private]<sup>4</sup> sale, at such price or prices, and upon such terms and conditions as the Bank in its sole and absolute discretion may determine, without demand, advertisement or notice of any kind, all of which are hereby expressly waived, and to apply the proceeds remaining after deducting all costs of sale, in payment or reduction of the amount due hereon, and each of the undersigned and all indorsers, sureties and guarantors hereof shall remain liable for any deficiency.<sup>5</sup> The undersigned agree to pay any deficiency remaining after such application, and any excess proceeds of any such sale shall be paid over by the Bank to the person or persons who deposited with the Bank the collateral realized upon. At any such sale, the Bank may purchase any or all of the collateral so sold, free from any right of redemption in the undersigned, which right of redemption is hereby expressly waived, and may apply the amount due hereon on account of or in full satisfaction of the purchase price.

The undersigned and all indorsers, sureties and guarantors hereof hereby jointly and severally waive presentment for payment, demand, notice of non-payment, notice of protest and protest of this note, and all indorsers, sureties and guarantors hereof consent [to any and all extensions of time, renewals, waivers, or modifications that may be granted by the Bank with respect to the payment or other provisions of this note and] <sup>6</sup> to the release of the collateral, or any part thereof, with or without substitution and agree that additional makers, indorsers, guarantors or sureties may become parties hereto without notice to them or affecting their liability hereunder.<sup>7</sup>

The Bank is authorized by each of the undersigned and by all indorsers, sureties and guarantors, without notice to any of them to date this note as of the day when the first disbursement of the loan evidenced hereby is made and to fill in any blank spaces herein to conform to the terms upon which the loan evidenced hereby is made.

The Bank shall not by any act of omission or commission

be deemed to waive any of its rights or remedies hereunder unless such waiver be in writing and signed by the Bank and then only to the extent specifically set forth therein; a waiver on one event shall not be construed as continuing or as a bar to or waiver of such right or remedy on a subsequent event.

The Bank may transfer this note and may deliver the said collateral or the remainder thereof or any additions thereto or substitutions therefor to the transferee, who shall thereupon become vested with all the powers and rights above given to the Bank in respect thereto and the Bank shall thereafter be forever relieved and fully discharged from any liability or responsibility with respect to such collateral and shall have no further claim or right thereto.

The undersigned hereby constitute and appoint ..... their lawful attorney in fact to receive from the Bank any excess proceeds of sale and any collateral held by it hereunder and the receipt of said attorney in fact shall be full and complete discharge of the Bank from any and all liability and responsibility with respect to any collateral so delivered and excess proceeds so paid.<sup>8</sup>

The liability of each of the undersigned shall be absolute and unconditional and without regard to the liability of any other party hereto.

Signatures (Full name, not initials)	Address (Complete residential)
Borrower.....	.....
Co-Maker .....	.....
(Wife or husband of Borrower)	
Co-Maker .....	.....

NOTES: These notes are intended merely as warnings that local counsel should be consulted before the designated provisions are adopted.

1. This provision is invalid in some states and in some states it may destroy negotiability. In some states attorneys' fees in a given percentage of the unpaid balance may be provided for. Where cognovit notes are legal, the following is suggested as a substitute for the above provision:

"The undersigned and all indorsers, sureties and guarantors hereof hereby irrevocably authorize any attorney of any court of record of this state, in event of default in the payment of this note or any instalment thereof when due or declared due, to appear in such court and confess judgment, without process, in favor of the holder of this note against all or any of them, for such amount as may appear to be unpaid hereon, together with costs and reasonable attorney's fees, and hereby release all errors and rights of appeal."

2. May destroy negotiability in some jurisdictions.

3. These and similar acceleration clauses may destroy negotiability in some jurisdictions.

4. This provision is invalid in some states.

5. Some states have strict statutes governing foreclosure of pledge which may require modification of provisions covering sale of collateral.

6. In some jurisdictions such agreements to extensions destroy negotiability.

7. In certain states it is desirable to add the following clause waiving homestead and other exemptions:

"The undersigned and all indorsers, sureties and guarantors hereby severally waive the benefit of their homestead and all other exemptions as to this obligation."

8. This power of attorney would probably be revoked by the death of any of the undersigned.

9. The instrument may be executed under seal and in most states thereby extend the statutory period for bringing suit. In probably the majority of states it is sufficient to follow the signatures with "[Seal]" or "[L.S.]". However, in some states there must be a recital in the instrument that it is executed under seal. "Witness our hands and seals" or "Signed and Sealed" preceding the signatures is usually sufficient, but local counsel should be consulted. Whether the instrument is sealed or not is primarily a matter of intent and some attorneys believe that if "Seal" or "L.S." is sufficient, they should be written by the signer and not printed or typed.

In some states a married woman cannot become an accommodation party, surety or a guarantor.

## FORM OF GUARANTY ON REVERSE SIDE OF NOTE

In consideration of the making, at the request of the undersigned, of the loan evidenced by the within note, upon the terms and conditions thereof, the undersigned (jointly and severally) guarantee(s) the punctual payment of said note and each instalment thereof when due, whether at stated maturity, by acceleration or otherwise, and in accordance with all the terms and conditions thereof, and agree(s) to all the terms and conditions of said note and affirm(s) the waivers and consents therein contained. The liability of the undersigned on this guaranty shall be direct and not conditional or contingent upon the pursuit of any remedies against the maker or makers, indorser or indorsers, or any collateral held as security for the payment of said note. Notice of acceptance hereof is hereby waived and this shall be a continuing guaranty extending to any and all notes given in extension or renewal of said note notwithstanding said original note may have been surrendered, provided the liability of the undersigned shall not be increased over that contained in the original note and accrued and unpaid interest.

Dated at \_\_\_\_\_, \_\_\_\_\_ 19\_\_\_\_

<i>Signatures</i>	<i>Addresses</i>
.....	.....
.....	.....

## INDORSEMENTS

.....

.....

NOTE: The foregoing may be printed on the back of either of the foregoing notes.

## GENERAL PLEDGE AGREEMENT

In consideration of financial accommodation given, continued, or to be given, to the undersigned by the Blank National Bank (hereinafter called the "Bank") and as collateral security for the payment of any and all indebtedness, liabilities and obligations of the undersigned, or any of them, to the Bank, whether absolute or contingent, now existing or hereafter arising, due or to come due, secured or unsecured, joint or several (hereinafter called the "Indebtedness"), the Bank is hereby given a lien upon the title or interest of the undersigned in all property now in or at any time hereafter, during the existence of this agreement, coming into the possession, custody or control of the Bank,

whether for the expressed purpose of being used by the Bank as collateral or for any other purpose, and upon any stock rights, rights to subscribe, stock dividends, dividends paid in stock, liquidating dividends, new securities, insurance proceeds and other property to which the undersigned may become entitled by reason of the ownership of the pledged property during the existence of this agreement (and in the event the undersigned receive any such property they agree to immediately deliver the same to the Bank to be held hereunder), and upon any balance or balances to the credit of any accounts maintained by any of the undersigned with the Bank (all of the property and interests therein hereinabove enumerated being herein-after called the "Collateral"), and the Bank shall during the existence of this agreement, have and exercise, in addition to the rights created by statute and by the circumstances from which any indebtedness, liability or obligation secured hereby may arise, the rights hereinafter set forth, and the undersigned agree as follows:

1. The undersigned will at all times maintain with the Bank collateral of a character and value satisfactory to it and, if at any time the Collateral shall depreciate in value or the Bank shall deem itself insecure, the undersigned will immediately upon demand, deposit additional collateral or make such payments in reduction of the principal amount of the indebtedness as shall be satisfactory to the Bank.<sup>1</sup>

2. At the option of the Bank and without demand or notice, all or any part of any Indebtedness shall immediately become due and payable irrespective of any agreed maturity, upon the happening of any of the following events, viz: (1) failure on the part of any of the undersigned to keep or perform any of the terms and conditions of this agreement or of any agreement evidencing such Indebtedness, (2) default in the payment of principal of any Indebtedness, any instalment thereof, or interest thereon when due, whether at maturity, by acceleration or otherwise, (3) death or dissolution of any of the undersigned, (4) if any of the undersigned or any surety or guarantor of any Indebtedness shall become insolvent, make a general assignment for the benefit of creditors, or if any proceeding of any nature under the Federal Bankruptcy Act, as amended, or under any state insolvency statute, be commenced by or against any of them, or if a receiver be appointed of, or a writ or order of attachment or garnishment be issued or made against any of the property, assets or income of any of them, (5) if at any time the Collateral shall decline in value or become unsatisfactory to the Bank, and the undersigned shall not immediately upon demand make payment in reduction of the Indebtedness or furnish additional collateral satisfactory to the Bank, (6) failure on the part of any of the undersigned to do all things necessary to preserve and maintain the value and collectibility of the Collateral, including, but not limited to, the payment of taxes and premiums on insurance.

3. Upon the failure to pay all or any part of any Indebtedness, or any instalment thereof, when due, or upon the happening of any of the events mentioned in the last preceding paragraph, full power and authority are hereby given to the Bank, then, or at any time thereafter, at its election, to sell, assign, transfer and deliver the whole of the Collateral, or any part thereof, or any additions thereto or substitutes thereof, in such order as the Bank may elect, at public or private sale, at such price or prices, and upon such terms and conditions as the Bank in its sole and absolute discretion may determine, without demand, advertisement or notice of any kind, all of which are hereby

expressly waived, and to apply the proceeds remaining after deducting all costs of sale, and any balances then standing to the credit of any accounts hereinbefore specified, in payment or reduction of any Indebtedness of any of the undersigned in such order as the Bank in its discretion may determine. The undersigned agree to pay any deficiency remaining after such application, and any excess proceeds of any such sale shall be paid over by the Bank to the person or persons who deposited with the Bank the Collateral realized upon. At any public sale, the Bank may, if it be the highest bidder, purchase any or all of the Collateral so sold, free from any right of redemption in the undersigned, which right of redemption is hereby expressly waived, and may apply any unpaid Indebtedness on account of or in full satisfaction of the purchase price.<sup>2</sup>

4. The undersigned hereby constitute and appoint ..... their lawful attorney in fact to receive from the Bank any excess proceeds of sale and any collateral held by it hereunder and the receipt of said attorney in fact shall be full and complete discharge of the Bank from any and all liability and responsibility with respect to any collateral so delivered and excess proceeds so paid.<sup>3</sup>

5. The Bank may realize upon the Collateral, collect the principal, interest or dividends thereon, keep the same insured, make any presentment, demands, notices of non-performance, notices of dishonor, protests or notices of protest, in connection with any of the Collateral, but the Bank shall be under no duty or obligation to do any of the aforementioned or to do anything for the enforcement and collection of the Collateral or the protection thereof, other than the safekeeping thereof. The undersigned agree to pay all taxes, charges and assessments against the Collateral and to do all things necessary to preserve and maintain the value and collectibility thereof, and upon the failure of the undersigned to do so, the Bank may make such payments on account thereof as in its discretion seem desirable and the undersigned agree to reimburse the Bank immediately upon demand for all such payments as well as any sums expended in enforcing, collecting and realizing upon the Collateral, repayment of all of which is secured by the pledge.

6. The Bank may assign or transfer the whole or any part of the Indebtedness and may transfer as collateral security the whole or any part of the Collateral and the transferee shall be vested with all the rights and powers of the Bank hereunder with respect to the Collateral so transferred and thereafter the Bank shall be fully discharged from all liability and responsibility with respect thereto.

7. Each of the undersigned waives any right that it may have to require the Bank to (a) proceed against any other person, [(b) proceed against or exhaust the collateral, or any part thereof] <sup>4</sup> (c) pursue any other remedy that the Bank may have; waives all defenses arising by reason of disability or cessation of liability of any other person; and consents to (1) any and all extensions of time, renewals, waivers or modifications of any of the terms and conditions of any Indebtedness that may be granted by the Bank, (2) release of the Collateral, or any part thereof, with or without substitution and (3) the release, substitution or addition of any parties primarily or secondarily liable on any Indebtedness, notice of all of which is hereby waived. Until all Indebtedness shall have been paid in full, none of the undersigned shall have any right of subrogation and each of the undersigned agrees that the Bank need not enforce any remedy that it may have.

8. All costs and expenses, including reasonable attorney's fees, incurred or paid by the Bank in exercising any right, power or remedy conferred hereby, and in the en-

forcement thereof, shall become a part of Indebtedness secured hereby.<sup>5</sup>

9. This is a continuing agreement and all rights, powers and remedies hereunder shall apply to all past, present and future Indebtedness of the undersigned to the Bank notwithstanding the death, dissolution, incapacity or insolvency of the undersigned, and shall continue in full force until all Indebtedness shall have been paid in full [and the power of sale and other rights and remedies granted to the Bank may be exercised even though suit upon the Indebtedness may be barred by the Statute of Limitations applicable thereto].<sup>6</sup>

10. The word "undersigned", whenever used herein, shall include both singular and plural. When executed by more than one party, all references to the undersigned shall mean all or any one or more of them, and the obligations of the undersigned shall be joint and several.<sup>7</sup>

11. The acceptance by the Bank shall not be construed as an agreement or commitment on the part of the Bank to make any advance or advances to the undersigned or any of them.

IN WITNESS WHEREOF the undersigned have executed this agreement this ..... day of ....., 19.....

NOTES: These notes are intended merely as warnings that local counsel should be consulted before the designated provisions are adopted.

1. Some banks may desire to insert the following paragraph between "1" and "2":

At any time and without notice the Bank may (1) cause the collateral to be transferred to its name or to the name of its nominee and thereafter exercise as to such collateral all the rights, powers and remedies of an owner, (2) collect by legal proceedings or otherwise all dividends, interest, principal payments, and other sums now or hereafter payable on account of said collateral, (3) enter into any extension, subordination, reorganization, deposit, merger, or consolidation agreement, or any other agreement relating to or affecting the Collateral, and in connection therewith deposit or surrender control of such collateral thereunder, and accept other property in exchange therefor and hold or apply such property or money so received in accordance with the provisions hereof.

2. Private sales of collateral which cut off equity of redemption may be void in some states; likewise purchases by the Bank at private sales. The limitation that the Bank may be the purchaser only at public sales and if the highest bidder, is not contained in many pledge agreements. We believe, however, that this protection should be given the pledgors and does not unduly handicap the Bank.

3. This power of attorney would probably be revoked by the death of any of the undersigned.

4. In some states a pledgor can not waive the right to have the pledgee exhaust the security before suing on the notes.

5. In some states agreements to pay attorneys fees are unenforceable.

6. This provision is in accordance with the majority rule. However, in some states waivers of defense of statute of limitations are invalid.

7. In community property states, it may be desirable to add the following paragraph:

12. Any married woman who signs this agreement hereby expressly agrees that recourse may be had against her separate property for all her indebtedness to the Bank secured by the Collateral under the terms of this agreement.

In some states a married woman cannot become an accommodation party, a surety or a guarantor.



# Your Taxes



## EXCESS PROFITS TAXATION

DONALD HORNE

Mr. HORNE is a member of the New York Bar and has been a specialist in tax law for many years. The following article, defining "invested capital", is on the general principles of excess profits taxation, since the Federal bill was still being considered by the joint Congressional committee when BANKING went to press.

THE idea which prompts the initiation of excess profits taxation is that war profiteering ought to be discouraged. In practice, such taxation has proved, by the experience of 1917 to 1921, to be an excellent device for raising revenue. It has not had the effect of inducing taxpayers to take war contracts at a lower figure than they otherwise would for the reason that, despite the steepness of any rates that may be devised, the larger the profit on any contract, the larger will be the contractor's net profit after the tax.

Excess profits taxation is not regulatory in the sense that it discourages production of articles deemed undesirable by rendering impossible the sale of such articles at prices within reach of the public, as, for example, the high taxes on narcotics. Excess profits taxation applies to profits from the production and sale of all articles, including necessities, at a period when the market of articles is assured irrespective of price.

Frankness, therefore, compels us to view the excess profits tax as primarily a revenue measure.

THE scheme of excess profits taxation is to permit normal profits, as evidenced by the profits of an average year, plus an additional fixed amount to be exempt from additional taxation over that of normal times. The portions of current income thus exempted from excess profits taxation are designated as the excess profits credit and the specific exemption. All profits over these amounts, after deduction of other taxes, including the current income tax, are considered abnormal, due to the emergency which calls for additional taxation, and subjected to heavy rates.

Two methods are used in determining the normal income which constitutes the excess profits credit, one a comparison of the tax year with the average of a period of normal years, making due adjustment for increased capital in the current year, and the other a presumptive fair return on the invested capital as of the beginning of the tax year. The taxpayer is entitled to elect the method more beneficial to him. Thus, if the presumptive fair return on invested capital is 8 per cent, and the taxpayer earned more than that, on the average, over the period of normal years, it will choose the comparison with normal years; if it earned less than 8 per cent, it will choose the presumptive fair return.

If the taxpayer was not in existence during all of the normal year period, it is permitted to combine the two methods, using the 8 per cent presumptive fair return for the portion of the comparative period elapsing before it was organized.

It has been found impracticable to impose this form of taxation on individuals and partnerships, who are already subject to graduated surtaxes up to 75 per cent, and it is therefore applied only to corporations. It has also been found impracticable to limit the tax to corporations directly benefiting from the emergency which occasioned the tax, and it is therefore presumed that any increase in income over the average of a normal period or a presumptively fair return is due to conditions caused by the emergency.

Invested capital consists of cash or property paid in for stock, paid in surplus, contributions to capital, accumulated earnings up to the beginning of the tax year, and a percentage of borrowed capital. The latter is included on the assumption that borrowed capital earns more than its costs, and the difference, capitalized, represents investment responsible for a portion of the presumptive fair return.

The invested capital is averaged by days for changes made during the year, except that earnings or deductible losses of the tax year are disregarded.

INVESTED capital is reduced by the percentage which securities whose income is exempt from income tax bears to total assets. This deduction is known as inadmissible assets. Thus if a corporation has total assets of \$1,000,000, of which \$300,000 consist of Federal, State and municipal securities, and has an actual invested capital of \$400,000, the adjustment for inadmissible assets is 7/10 of \$400,000, or \$280,000, leaving \$120,000 as the invested capital for tax purposes. The reason for this adjustment is that capital which does not produce taxable income ought not to be counted.

ADJUSTMENTS are also made to remove items of abnormal and non-recurrent nature, such as the liability for a judgment against the taxpayer, losses from fires, storms, shipwreck, loss of useful value, and capital gains and losses on relatively long investments. Personal service companies are exempt if the stockholders add their proportionate shares of the corporate income to their personal income reported for taxation, as if they were partners.

In any excess profits tax law, provision is made for discretionary relief from abnormal conditions, not all of which can be covered specifically by the statute.



## **10** POSTING AND PROVING PLANS FOR A BANK'S COMMERCIAL BOOKKEEPING DEPARTMENT

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# Centralized Insurance Control

## *A Report on Some Case Histories*

A. WILBUR NELSON

Mr. NELSON, former assistant to the general manager of the National Board of Fire Underwriters, is well acquainted with the whole subject of insurance.

**T**o the small bank in the small town the insurance problem may appear simple, yet a small loss that could have been insured may be relatively as disastrous as a large loss would be to a large bank in a big city.

With a view to benefiting all banks, inquiry is being conducted among a few to which practical benefits appear to have accrued from the inauguration of centralized, simplified insurance control.

In one case, a large bank and trust company has centralized its insurance control in two departments, the trust division handling its own and the comptroller's office all other insurance.

In the beginning, when the insurance on the bank's own property was appraised, 61 fire insurance policies were found (three in one company). There were 10 different insurance brokers. After due consideration the number of policies was reduced to 16 and the number of brokers to three.

**A**LL liability and compensation are written in one large company. Before this coverage was arranged, a borderline case concerning an employee had brought up the question as to whether the bank's public liability policy or its compensation should pay the claim. An accident had occurred on bank property and there was doubt as to whether the employee was engaged in business for the bank. Of course the bank was involved in the solution of this question but the insurance manager determined that should such an incident occur again, and both compensation and liability were written in the same company, the bank would have no concern other than to collect for the loss, leaving the determination of the coverage to their insurance carrier.

In another case, before a regular system was put into action, loan departments, trust departments, real estate departments were found to be working at cross purposes, each placing insurance independent of the other, often obtaining less protection at greater cost than was possible under central control.

A member of the bank's staff (a man formerly engaged in the insurance business) had been called in to untangle some insurance snarls in the bank's foreign department. Toward the conclusion of this job he began to cast around for another, looking into the insurance affairs of the other departments. He had accomplished favorable results in the foreign department so was told to go ahead with the rest of them.

His work began, but his progress was not so good.

He ran into obstacles here and there in different departments which failed to cooperate. Because of the situation he found regarding the insurance itself, he realized the difficulty of his task; without cooperation he feared failure.

A frank talk with the president followed. The whole situation was discussed. Result: a memorandum from the president to each department head stating that after a certain date no insurance premiums would be paid unless the bill had the "o.k." of the bank's insurance manager.

**W**HEN he undertook to simplify his bank's insurance, he found the business being placed with a miscellaneous assortment of scores of insurance companies and brokers. He reduced the list to six brokers and 20 companies. This, of course, was not done overnight, but nevertheless the saving to the bank the first year was \$18,000 in premiums; also the bank had better coverage.

One feature, of special interest to trust companies, is the automatic blanket coverage arranged for with the insurance companies to protect the bank against financial loss due to unforeseen hazards during the period following a client's death until the time his estate is formally turned over to the trust company by the probate court.

Almost anything can happen during such a period. In one case a man died in China. The bank was named co-executor with the deceased's brother, who was travelling in Europe. Before he could be located, the will probated and the estate formally turned over to the bank, six months had elapsed, suit for \$60,000 damages had been instituted against the estate on behalf of a one-legged Negro boy injured while chasing pigeons on the roof of a trust property, and a fire had stopped the rental income from a mercantile building, the insurance on which had lapsed 30 days previous.

**T**HE bank, of course, was not technically liable until it was given legal authority by the court, but a moral responsibility would have been felt nevertheless. By being forearmed through blanket insurance to cover just such contingencies, it was saved the embarrassment of being thought negligent—a situation not to be desired by any trust company in any community.

The success of centralized, simplified insurance control in this bank has been such that the officials who once grudgingly relinquished their authority in placing insurance now realize the genuine assistance being rendered to them in their respective departments and not only cooperate wholeheartedly but look upon their bank's insurance department as an indispensable service.

## Food Stamps in Texas

To the Editor:

IT MAY BE of some interest to you to know that yesterday the writer visited with merchants and bankers in Austin, Texas, where the Federal food stamp plan has been in operation since April. With the limited few months of experience the Austin people have had, they seem to feel that the plan has had sufficient beneficial effect to warrant its continuance. It looks to me as if there is a bit of detailed work and care required on the part of store clerks, as well as the nuisance of clearing the Food Stamp cards, which are of an inconvenient size, and there comes to my mind a question of the plan's proving ultimately worth the effort. On the other hand, to judge from our conference with the merchants yesterday in Austin, they seem to think it is desirable in stimulating cash sales to some extent, in helping some to reduce accounts receivable, and in increasing the distribution of surplus commodities actually grown or produced in the area.

Perhaps all in all the plan may be worth while for a sufficient term of experimentation for the merchants to get a more accurate appraisal of its effect.

Of course, as usual, the banks seem to be the ones who do their part without

compensation. It is estimated that the turnover in Austin is about \$5,000 of stamps a week. The banks there make no handling charge nor even include the card as an item in the analysis of accounts of customers who deposit them. Naturally, in this day of Wage-Hour Act problems, even a small additional amount of overhead and clerical routing means a direct increase in operating

expenses. I presume that the unfortunate incidents surrounding some of the earlier inaugurations of the plan have made banks elsewhere apprehensive of attempting to ask for any reimbursement for their expenses.

HENRY M. HART

*Vice-president*

National Bank of Commerce  
San Antonio, Texas



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### UTAH B.A.

F. M. Michelsen, vice-president,  
Utah Savings & Trust Company,  
Salt Lake City, is president of the  
Utah Bankers Association for  
1940-1941



October 1940

# Foreign Fire Insurance Companies

**D**ISCUSSION about the status of foreign fire insurance companies operating in the United States took on new interest by the findings of the Committee on Insurance, National Association of Mutual Savings Banks. The committee chairman, Robert B. McGaw, said in a statement:

"To be briefly historical, it may be observed that during the last World War, the experience in respect to the

United States branches of foreign insurance companies indicated that eight Russian and 14 German companies doing business in this country were liquidated without any loss to policyholders. . . .

"We learn that at the approximate present time there are regularly licensed to operate in the United States 74 foreign fire and casualty insurance companies, and predominant among

this number in point of importance and strength are 54 companies domiciled within the territorial limits of the British Empire.

"Regulations under which foreign companies are authorized to operate in this country provide adequate safeguards for the protection of American policyholders, the laws of New York being particularly stringent with respect to such safeguards, and such laws are representative of those of other states with regard to the protection required.

"Before any foreign company obtains a license to transact business in the United States, cash or approved securities must be deposited in such amount as may be equal to the minimum capital requirements of domestic companies. Other requirements provide for deposit with trustees, corporate or individual, approved by insurance departments, of additional securities of stipulated character and of highest grade, intended solely for the general benefit and security of the company's policyholders. Moreover, as additional investments are made, they are placed in the custody of trustees, the effect of which is that almost all of the invested assets are held under deeds of trust to be used solely to meet obligations incurred in this country.

"A recent examination of the statements of the United States branches of foreign companies reveals that surplus funds are large in proportion to the volume of business transacted, and apparently adequate for the payment of losses which reasonably might be assumed would develop.

"It is indicated that collectively on December 31, 1939, the trustee assets on deposit, held for the benefit of American policyholders, approximated \$385,000,000, representing 156 per cent of aggregate outstanding liabilities, such trustee assets in most cases being based on the amortized values of bond holdings, the actual market value being considerably higher.

"It might also be of interest to note that such rules and regulations as govern the operations of these United States branches, some companies being domiciled in Norway, Denmark, the Netherlands, Belgium and France, have been further supplemented by executive orders of the U. S. Government, designed among other things for the further protection of American policyholders."

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# Housing for Defense Workers

PRIVATE industry has the capacity to provide the major part of the housing needs of our defense program, but immediate action is necessary if we are to avoid the delays and mistakes that seriously crippled America's war effort in 1917-1918, says a research report prepared for the Housing Committee of the Twentieth Century Fund. The report's first section, reviewing our World War experience and citing parallel needs today, has been made public by Evans Clark, executive director of the Fund.

"The housing crisis of the last war may lead us to think that the Government is the only resort in an emergency," says the research staff. "Yet a careful study of that period does not prove it. Only in a comparatively few places did the ordinary processes of supplying houses break down sufficiently to create a necessity for direct governmental operation. These places were centers of high concentration of war activities where competition for labor and materials was intense, where transportation was overtaxed, and where the certainty of a decline in industrial operations after the emergency discouraged private enterprise.

"Even in the most intense year of war activity, however, and after the governmental housing agencies had been set up, over 90 per cent of the total 200,000 dwelling units started represented private operations. It is also possible that if the need for housing had been clearly revealed in advance of the crisis there might have been less difficulty in maintaining housing production."

The report finds that the private building industry faces the present emergency with more favorable factors than in 1917-1918.

"No general labor shortages in construction or manufacturing threaten us. Building materials of all kinds are readily available. . . . There is, moreover, no likelihood of a general shortage of funds to lend for sound housing operations. In contrast to the last crisis, there is real momentum now behind

the house-building program. . . . Today, the skill of designers and the capacity of builders are both much greater than they were 23 years ago. This is especially true in the low-priced field."

However, the research staff sharply warns against undue optimism. "With all the advantages of the present situation," says the report, "we may still be confronted by many critical situations. Industrial expansion has hardly

begun, yet the names of many of the trouble centers of the last war are heard again: Newport News, Camden, Quincy, Bath and the arsenal towns.

"The experience of the last war, as well as these first warning signals from the present emergency, show clearly that the vital work of providing adequate shelter for the workers in defense industries must parallel, and not lag behind, the expansion of those industries."

## Since motor cars began



Automobile patented by George Selden in 1895  
— now in National Museum, Washington, D. C.

Standard of Detroit was one of the first to write automobile liability insurance. This long experience in protecting motorists against the consequences of bodily injury and property damage claims is added assurance of security when you carry a Standard policy.

Keeping pace with automotive progress throughout the years, Standard automobile policies have added important new features. Broader coverage, selective ratings, and the Safe Driver Reward bring you greater financial security at surprisingly low cost.

When accidents occur, experienced representatives throughout North America are ready to help you out of trouble.

Consult a Standard agent or broker.

## STANDARD ACCIDENT INSURANCE COMPANY

Standard Service Satisfies . . . Since 1884

### Gold Reserves

THE September *Federal Reserve Bulletin* carries a useful compilation of gold reserves of individual countries since 1913, with monthly data since June 1928.

# Heard Along MAIN STREET

This material is compiled for  
BANKING by Albert Journey

**R**ARELY indeed does a bank have the opportunity of simultaneously honoring two of its staff on their Golden Anniversaries. To the First National Bank of Altoona recently came this privilege upon the completion of 50 years of service by vice-president

JOHN MICKEL SKYLES and cashier ROBERT CLEMENT WILSON.

In their half century with the institution these two bankers have climbed the ladder from the bottom to the top. Both joined the First National in 1890 and have been active in various civic and welfare projects throughout the ensuing years.

Recently, prominent bankers from Philadelphia, Pittsburgh and central Pennsylvania joined with the officers

and staff of the First National at a testimonial dinner given in honor of these two veterans of a half century of banking service.

★

PHYLLIS OTTO, attractive 15-year-old daughter of OSCAR A. OTTO, vice-president, The Whitney Loan and Trust Company Bank, Atlantic, Iowa, is blazing across the golfing horizon as another teen-age girl, PATTY BERG, did a few years ago. PHYLLIS is the Iowa State junior champion and is looked upon as a likely future national women's champion.

In the Trans-Mississippi Tournament this Spring she scored sensational vic-



Miss Otto

tories over some of the ranking women golfers of the country in reaching the semi-finals, where she was eliminated by Betty Jamison, 1939 National Champion. Miss OTTO was the medalist in this year's Women's Western Junior Tournament at South Bend and also finished close to Elizabeth Hicks and Dorothy Kirby in the Western Derby held in Chicago last Fall.

★

ROLAND E. CLARK, vice-president, National Bank of Commerce of Portland (Maine), and former President, Trust Division, A.B.A., took his undergraduate work at Bowdoin and his law course at Georgetown while serving as private secretary to Congressman Powers of Maine. For a time he practiced law in his native city, Houlton.

## A prime short-term Investment for Banks and Corporations

Federal intermediate credit bank consolidated debentures are the joint and several obligations of the 12 banks. They are issued in maturities of from 3 to 12 months.

They are exempt from all Federal, State and local taxes.

Maturities up to 6 months are eligible for purchase by the Federal reserve banks and are acceptable as collateral for 15-day loans to member banks.

Consolidated debentures are legal investments for savings banks, insurance companies and trust funds in various States, including New York.

Federal intermediate credit bank consolidated debentures are eligible as security for all fiduciary, trust and public funds held under the authority or control of the Federal Government and are approved as security for the deposit of postal savings funds.

*... Debentures are offered through recognized security dealers and dealer banks. Inquiries should be addressed to the Fiscal Agent or to dealers.*

**Charles R. Dunn, Fiscal Agent**

31 Nassau Street

New York, N. Y.

THE FEDERAL INTERMEDIATE CREDIT BANKS

Springfield, Mass.  
Baltimore, Md.  
Columbia, S. C.  
Louisville, Ky.

New Orleans, La.  
St. Louis, Mo.  
St. Paul, Minn.  
Omaha, Neb.

Wichita, Kan.  
Houston, Tex.  
Berkeley, Cal.  
Spokane, Wash.

Mr. CLARK has a distinguished war record. Entering military service in May 1917, he served for 25 months, 19 of them in France. He was commissioned a second lieutenant at the First Plattsburg Training Camp and subsequently rose to a majority.

Mr. CLARK was one of the organizers and the first president of the Corporate Fiduciaries Association of Maine. He is president of the Middle Temple, an association of lawyers in Portland, and a member of the Board of Overseers of Bowdoin College.

★

Miss BLEND A STERNER is unusual in that she has won simultaneous success in two widely varying fields. During the day she is the efficient secretary to H. E. SPIESBERGER, vice-president, The American National Bank and Trust Company of Chicago. Outside of business she is a talented concert pianist, hailed as the outstanding young professional pianist heard this season.

On her graduation from the American Conservatory of Music she was awarded the highest honor the Conservatory can bestow on a student. Since then con-



Miss Sterner

certs have followed one after another. In one of the most recent, Miss STERNER played with HENRIOT LEVY, eminent composer-pianist-teacher, his prize winning "Capriccio Concertanto" at the Convention of Music Clubs at Jacksonville, Illinois.

★

RALPH CROY, vice-president of the Marine Trust Company of Buffalo, was recently the honor guest at a luncheon given by Marine's President, GEORGE F. RAND, to celebrate Mr.

CROY's completion of 50 years of service with the institution and its predecessor bank. In June Mr. CROY was the recipient of an honorary degree of Doctor of Humanities from Westminster College.

★

JOHN P. CURRY, JR., of the trust department, McDowell National Bank, Sharon, Pa., has been elected president of the Shenango Valley Junior Chamber of Commerce for the next year. Mr. CURRY has been a member of the organization's executive board since its beginning. He has been active in bank-

ing organization and is a past president of the Sharon Chapter, American Institute of Banking Section of the A.B.A., and was formerly a member of the public education committee of the A.I.B. national organization.

★

One of the most popular orchestras around Watsonville, California, is that conducted by HAROLD "Slip" BOHNETT. It is a flexible organization which sometimes is augmented to ten pieces for larger social affairs. Mr. BOHNETT, who heads the foreign department of The Pajaro Valley National Bank, comes by



Partial View of Paying and Receiving Tellers  
Commercial Department

## CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO

Member Federal Deposit Insurance Corporation

his talent naturally. In earlier days his grandfather was a favorite musical entertainer. Moreover, all of the members of Mr. BOHNETT's immediate family, and there are eight of them, play some musical instrument.

Music is only one of his avocations. He devotes much time to work among boys. For fifteen years he has been active in Y.M.C.A. and Boy Scout work, serving as a scout master for four years.

★

The 20th annual Spring meeting of the Northampton (Pa.) County Bank-

ers Association honored five men who have served the county's banks for over 50 consecutive years. These bankers are: E. J. RICHARDS, president, Northampton National Bank, Easton (60 years); HOWARD V. SWARTZ, president, National Bank of Catasauqua (50 years); EDWARD B. ARNDT, First National Bank and Trust Company, Easton (58 years); HARRY C. BIXLER, Easton National Bank (57 years); HERBERT C. SLAMP, Northampton National Bank, Easton (54 years).

The program included an address by FRANK M. TOTTON, vice-president, Chase National Bank, New York City,

and chairman, Committee on Public Education of the Public Relations Council, American Bankers Association.

★

F. W. THOMAS, vice-president, First National Bank of Omaha, who was recently appointed by the governor of Nebraska to the University Board of Regents, is also a trustee of Doane College, of the Clarkson Hospital and of the Nebraska Children's Home Society.

Mr. THOMAS is a man of unusual experience and varied talents. He has traveled extensively, having toured 15 countries. He is a patron of the fine arts, with an intimate knowledge of the art collections in the Louvre, Vatican, and National Art Galleries; a philanthropist, and a banker with over 30 years' experience and a country-wide acquaintance with bankers. He has been a member of the Reserve City Bankers Association since 1922.

★

Several New York City bankers hold high offices in the Chamber of Commerce of the State of New York. President is PERCY H. JOHNSTON, chairman of the Chemical Bank & Trust Company. J. STEWART BAKER, chairman of the Bank of the Manhattan Company, is a vice-president, and LEON FRASER, president of the First National Bank of New York, is treasurer. W. S. GRAY, Jr., president of the Central Hanover Bank & Trust Company, is chairman of the committee on finance and currency.

#### DELAWARE

Joseph L. Marshall, cashier of the Lewes Trust Company of Lewes, is the new president of the Delaware Bankers Association



## Meeting the Test OF Service

Bank management is constantly confronted by tests that challenge its experience, judgment and facilities for service. To meet situations that range from the demands of changing economic and world conditions to the varied requests and needs of customers, a bank must ever be in step with the times.

To continue to grow, to hold old friendships through the years, to keep on building new, is a continual test of banking service and management. Mercantile-Commerce has been meeting the test of this challenge, day after day, for more than eighty-three years.

**MERCANTILE-COMMERCE**

**Bank and Trust Company**

**SAINT LOUIS**

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION



# METHODS and IDEAS

This department of BANKING is conducted by our Methods and Ideas reporter, John J. McCann



## Rust Immunity an important safety factor for mortgage money



### Farm Tours

THE COMMITTEE ON AGRICULTURE of the New York State Bankers Association announces a series of one-day regional farm tours for members in the western, central and eastern sections of the state. This program follows a state-wide land utilization tour successfully staged last Summer in cooperation with the extension service of the State College. The objectives of the unit tours are: (1) To study profitable farm businesses and meet the men who run them; (2) study practical examples of 4-H work; (3) investigate new developments such as regional agricultural markets, artificial breeding associations and quick-freezing processes of fruits and vegetables; (4) to see examples of activities and accomplishments of the other half of the farm partnership—the farmer's wife.

### Cooperative Selling

REAL ESTATE ACTIVITY in Westchester County, New York, was accelerated recently by the announcement that, for the first time, all eleven mutual savings banks (members of Westchester Group IV) were uniting in a joint effort to promote the sale of bank-owned properties. Sales will be made by individual banks and through brokers, as in the past, but a central committee will be in charge of an extensive newspaper and direct-mail campaign covering New York City and local areas. Selling prices range from under \$4,000 to more than \$35,000 and properties are located in all desirable suburban districts.

Instead of waiting for the predicted rise in values, these banks have bargain-priced their properties on the premise that financing, not permanent holding, of real estate is their job.

### Staff News

ANOTHER LONG-STANDING TRADITION may be heading for the discard, if the example set by the Fidelity Union Trust Company (Newark, New Jersey) gains ground. This bank is one of the comparatively few large institutions which make a practice of reporting all staff appointments to local newspapers, regardless of rank. Promotions among tellers, clerks in scores of departments, even the hiring of new messengers receives the same news-release attention given to changes among the ranking officers.

Local papers welcome this type of news. Although it may not be important enough to rate headlines, it invariably appears in the local news sections or among the personals. The effect of this attention is obvious.

### Plane Loans

BECAUSE FLYING ABILITY has become such a potent factor in national defense, Bank of America has inaugurated a plan to finance individual purchases of

There are no metals more durable than copper, brass and bronze. And there are no metals that—over a period of years—offer more economical use in residential building. For they free homeowners of expensive upkeep due to rust. By thus preserving the useful life of a house, copper and its alloys also increase its worth as a mortgage risk.

Reliable, rust-proof copper and brass pipe, Everdur hot water storage tanks, copper roofing, bronze screens and hardware render lasting service. Money invested in them will return dividends by reducing depreciation of the property.

An illustrated booklet, "Anaconda Copper, Brass & Bronze Throughout the Home," will be sent at your request.

39278



THE AMERICAN BRASS COMPANY

General Offices: Waterbury, Connecticut  
Subsidiary of Anaconda Copper Mining Company

*Anaconda Copper & Brass*

airplanes on practically the same basis as automobiles.

This new instalment loan plan covers virtually all the smaller standard types of aircraft and is available through all of the 495 California branches. The purpose is to encourage citizens to take to the air, to become proficient pilots, to develop self-reliance and usefulness to the nation in times of emergency. Insurance on such loans protect both the bank and the borrower and covers ground as well as flight risks.

### Scholarship

THE MASSACHUSETTS ASSOCIATION OF SAVINGS BANK WOMEN has established the Mary E. McLaughlin schol-

arship to "aid savings bank women who wish to broaden their knowledge of banking and economics." The fund available this year is \$100 which will be awarded for one or two scholarships for a course of study in any college, school of accounting or business administration or in the American Institute of Banking. This is the first scholarship fund for members created by the group.

### Instructions

MANUSCRIPTS SUBMITTED in a recent staff contest now appear in a 32 page booklet published by The Detroit Bank. "Your Checking Account" is a veritable handbook for commercial customers. In addition to covering

thoroughly methods of handling accounts and keeping the depositor's own records, the booklet contains a full explanation of and the reasons for the service charges, penalties, and account analysis plans utilized by the bank. Distribution is particularly directed to new checking account customers with a view to explaining technical operations, knowledge of which saves time and money, may eliminate mistakes—and even avoid actual losses.

### Dollar Day

HERE ARE TWO thoughts on bank participation in the inevitable dollar days merchants cook up for slack season selling. The American National Bank (Kalamazoo, Michigan) presented a nest egg of \$1 to every baby born in Kalamazoo between 12:01 a.m. and 11:59 p.m. during the recent dollar-day event.

And, down in North Carolina, the Greensboro Merchants Association offered to deposit \$1 in any local bank designated by parents for all the newborns on dollar day.

This type of publicity tickles the public and gives a puff to the prize-collecting fathers.

### Flower Fund

IT SEEMS CUSTOMARY in many banks to "pass the hat" among employees when members of the staff are seriously ill, when deaths occur in the official family and on other occasions calling for remembrances. Usually the fund raising is started by a fellow-employee



**"...always ready to  
share the benefits..."**

If you are interested in agriculture, why not have a Chicago correspondent that speaks your language and knows your problems?

Why not be represented in the heart of the great middle-western market — *inside* the Union Stock Yards? Live Stock National's specialized experience offers special correspondent advantages.

For 72 years, we have been in close and constant touch with leading agricultural interests . . . and are *always ready* to share the benefits of this association with those we serve.

May we tell you about the "plus" values nearly 500 agricultural banks find here?

**Live Stock**  
**National Bank of Chicago**  
UNION STOCK YARDS

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Below, a page from a booklet, *Real Life Stories*, of savings bank depositors. See item "Life Stories" on page 90 of last month's issue of *BANKING*

### ROMANCE IN SAVING!

REAL LIFE STORIES OF MUTUAL SAVINGS BANK DEPOSITORS



in the department affected. Management may have nothing to do with it directly—neither encouraging nor frowning upon it.

Nevertheless, it is reasonable to assume that frequently members of the staff are embarrassed when asked to contribute. This reasoning is behind the permanent flower fund maintained by the Morris Plan Industrial Bank, Detroit. All odd funds raised by employee activities and by a cigarette vending machine in the recreation room keep the till ready for all emergencies. This method may suggest a solution to employee organizations.

### Educational

THE UNITED SAVINGS BANK of Detroit issues a 16-page pocket-size booklet to all new savings customers with a view to explaining the mechanics of bank operation. "You and Your Savings Account" tells the whys and wherefores of the signature card, passbook, and ledger card; discusses the real purpose of a savings account; explains the computing of interest, and the mechanics of deposits and withdrawals. The story builds up to the closing chapter which justifies a 50-cent close-out charge to cover, at least partially, the cost of supplies and labor incurred in opening an account. The charge is made only when the account is closed within 90 days after the initial deposit.

### Foreign Trade

HOW SAN FRANCISCO's trade "stacks up" in Latin America was graphically portrayed in seven column newspaper space sponsored by Wells Fargo Bank & Union Trust Company when the National Foreign Trade Council met in that city. The borders of the 29 countries illustrated on the featured map were marked in layers; each layer representing \$250,000 trade through the port of San Francisco. A breakdown of tonnage and commodities was also itemized for each country. Copy appeared in English and Spanish translation in recognition of the large number of Latin Americans attending the conclave.

### Architect Plan

THE WORCESTER COUNTY INSTITUTION FOR SAVINGS (Worcester, Massachusetts) is among a group of New England banks sponsoring the newly organized Architect's Cooperative Plan Service. This is a merchandising program which permits the bank to offer prospective home builders a complete

unit package of home design to tailor-made financing arrangements.

The service provides a series of \$4,000 to \$7,500 home plans, including building photographs or drawings, detail blueprints, contract, lien, release, estimate forms and a fourteen-page booklet of specifications. Construction costs are fully estimated on each home, excepting labor which is figured separately at prevailing local wage scales.

For promotion aid, the sponsoring bank receives a set of three-dimensional floor plan lobby displays, leaflets and a master booklet containing twenty-two

popular designs for general distribution. Plans and specifications are offered by the bank to prospects at approximately \$30 each. Aside from the thoroughgoing assistance which this unit program makes available to borrowers, there is every guarantee of better loan security by insuring good construction.

### Poster Umph

BRITAIN'S STRONGEST weapon on the propaganda front is her forceful poster art. "Go To It" posters are said to have inspired a national up-and-at-'em spirit when they first appeared. Over here, in



**SPEEDY**

*Fulton Correspondent Service*

**FULTON NATIONAL**  
ATLANTA *Bank* GEORGIA



**Better employe  
and customer relations**  
— with the new tip-in-ink  
*Handi-pen* on every desk



People appreciate the convenient ease of writing with the new flood-proof, finger-protecting tip-in-ink *Handi-pen* . . . the last word in writing ease and neatness for your customers and staff. Only the tip touches the ink — a narrow slit feeds only enough ink to write instantly, smoothly. Reservoir holds up to a year's supply of ink, cuts out messy refilling . . . HP-6 (illus.) \$2.75, others \$2.75 to

\$35.00; lobby model equipped with chain. Order now from your stationer. Or write for 10-day FREE TRIAL OFFER.

Sengbusch Self-Closing Inkstand Co.  
1085 Sengbusch Building, Milwaukee, Wis.  
Please ship me.....*Handi-pen* sets HP-6 for a 10-day free trial, with no obligation to me.  
Name.....  
Address.....  
City..... State.....

Dallas, Texas, the Mercantile National Bank does a similar job on a smaller scale. More than 100 bank-sponsored billboards blaze the slogan "Full Speed Ahead" with a picture of Uncle Sam saluting the traffic at choice locations in and out of the city limits.

A recent issue of "As We See It", bank house organ, prints a stirring editorial on what's behind this theme for national emergency and personal security. A double-page full color reproduction of the poster is also featured in the issue. Other banks throughout the country are hitting the patriotic motif with similar billboard showings.

### 3% Club

THE FREEPORT BANK (Freeport, New York) recently introduced a new idea in thrift club promotion. The 3% Club is a cooperative plan which offers 3 per cent interest credit on all club funds spent with a group of 50 or more local cooperating merchants and professional people. Club deposits are made weekly for 13 weeks. At the end of this period the member may withdraw his funds in cashier's checks in denominations of \$1, \$2, \$5 and \$10, as desired. These checks are, of course,

honored anywhere at face value, but only when presented to a merchant member in payment for merchandise is the 3 per cent benefit granted.

New clubs form on the first of each month and a member may join any number of units, the idea being to build a maturing club every month of the year. On this basis, it is easily demonstrated that on a turnover of \$60 or \$65 a month a return of approximately \$24 a year is possible. Club income is derived from the 6 per cent paid to the bank by merchant members for club funds spent with them. This "save to spend" idea is reported very successful.

### Loan Good-Will

HERE IS a goodwill gesture that wins mortgagee appreciation for the Minnesota Federal Savings and Loan Association (St. Paul): As a permanent loan file record, the association requires a photograph of each property and a survey. The fees for both items (photo, \$2, survey \$3) appear on the loan cost sheet, which is explained point for point to the individual at the time of closing the loan.

Several months later—after the building is finished—the association sends a

cordial note to the mortgagee, enclosing with its compliments an enlarged photo print of the home, suitable for framing, and a copy of the survey for personal records. The photograph invariably makes a big hit. Almost without exception, the individual requests additional prints to send away to friends and relatives. These are gladly supplied at cost through the association's official photographer.

### Air Mail

GREAT STRIDES toward speedier and more efficient collection service have been made in recent months with the extension of airline communications and the development of short-run air-taxi service in some areas. The Equitable Trust Company of Baltimore is among the first to capitalize on the establishment of completely air-minded collection facilities. A recent broadside announcing the new air schedules indicates on a map time deadlines to all key points.

Day service is indicated from city to city by green lines, and service to other points by the number of days circled for each city. No point requires more than two days.

## New LIGHT ON AN OLD PROBLEM

Every bank needs directional signs to designate the location of Tellers, Collections, Information, New Accounts, Safe Deposit Vaults, Elevators and various Special Departments. But . . . signs that merely direct, do only half the job. A bank's signs should also help attract business.

CRISTALGLO edge-illuminated signs have literally shed new light on this problem. They combine dignity and utility with a warmth that bespeaks a cordial welcome. *They create an immediate, favorable impression on customers and prospective customers.*

These smart, crystal-clear signs are adapted to a wide variety of needs. They may be lettered on one side only, or on both sides. They stand on neat bases, or hang from attractive fixtures, as shown by the accompanying illustrations. In short, CRISTALGLO offers an ideal solution for the sign problems of *your* bank.

Write today for our illustrated booklet:  
"Light the Way to Efficient Operations"

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# Buying That Means Economy

## *Equipment Outlay Can Insure Long-Run Saving*

E. S. WOOLLEY

ONE of the objectives of bank management is to keep expenses at a minimum consistent with adequate control of internal affairs and service to customers. Any bank can reduce expenses if that is the only thought in mind, but to reduce them at the sacrifice of either safety or service may prove very costly in the long run. Modern equipment and methods, while requiring an initial outlay, frequently provide better control and better service at less cost than continuing methods merely because "they have always been done that way".

It was once thought that having the same item posted to the books by more than one person provided internal check, and much duplication of work still is being done by banks because of this. Actually duplication of work is not a part of internal check. All that is needed is to see that, as far as practical, all items pass through two or more hands. If there is one clear record of every transaction in one place, and that record is indicated and "tied in" to the general records, all requirements for adequate audits are being served.

True, in some records the same item must appear on more than one account. An example is the trust records where the same items of principal postings may be needed on as many as five or six different account sheets. Under the old pen and ink system this means that the bookkeeper must do his work five or six times. Obviously a machine that will post all these records in one operation will soon recover its cost in all but the smaller trust departments. Two types of machines are doing this trust work very satisfactorily. One is the punch card system and the other the combination typewriter and accounting machine.

EVEN in smaller institutions machine equipment can be advantageously installed if there is sufficient other work around the bank to keep it busy. In the large majority of cases this can be done if a little thought is given to the subject. Most machines can be put to more than one use. The same combination typewriter and accounting machine that will post the trust records will also post the general ledger, liability ledger, note tickler files, etc., and also the income and expense distribution ledgers.

The machine posting of expense records, however, will work best where the bank uses a voucher system and posts the records from a copy of the voucher. Under such a system, not only the general expense accounts but also any departmental distribution desired of the income and expenses can be so posted.

There are many advantages to the machine posting of such records, not the least of which is the fact that all

the detail work can be done by a clerk rather than, as is so often the case, by one of the higher paid employees whose time could be more advantageously used. If the correct distribution is made on the vouchers the actual posting to the accounts becomes a mere mechanical operation. Classifying all accounts and coding them with either numbers or a combination of letters and numbers is essential to this method.

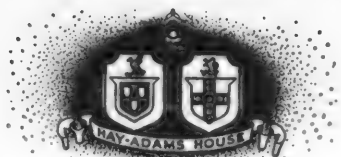
The vouchers, of course, need to be pre-numbered by the printer and four copies can be made, the original going to the payee, one copy with invoices attached filed in numerical order, another copy filed according to payee for ready reference, and one used as the posting medium. The last should be the second copy, if made out on the typewriter, so as to insure legibility.

WHILE this may sound radical to many bankers, there is, under this system, no real necessity for keeping an expense check register. It is just another duplication of work that serves no useful purpose. The copy which is used as the posting medium can be filed in two files marked "Paid" and "Unpaid." As the checks are paid they are so stamped and transferred from the "Unpaid" to "Paid" files. Both files are kept in numerical order. In this way the "Unpaid" file always shows the outstanding checks and is just as easy, if not easier, to reconcile and audit as a book in which "Paid" is rubber-stamped against the amounts as they are paid.

The objection will be made: "What happens if one is lost"? It must be remembered that there are at all times two other copies in the bank, one with the invoices in numerical order and one in the payees' files. When the checks are returned there are, to all intents and purposes, three other copies. Therefore there is no more danger of manipulation or missing vouchers under this method than there is with a check register. As a matter of fact, the same method will work with all kinds of checks and eliminate the extra work of posting.

Declining work hours means that not only unnecessary work, but also as many operating peaks as possible must be eliminated. Staggering the preparation of checking depositors' statements throughout the month rather than preparing them all on one day is one peak that can easily be eliminated. The statements for two days can be prepared every day from Tuesdays through Fridays of each week.

These small statement forms can be run through the addressograph and filed in a tickler file according to the days the statements are to go out. The account sheets themselves can carry on the upper right hand corner the date on which the statements are to be prepared. While not absolutely necessary this would provide a method of

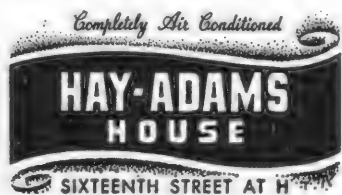


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check. The account sheets then would never leave the bank. Therefore, instead of being photographed monthly, they could be photographed annually or semi-annually, thus giving six months' or a year's picture of each statement consecutively on the film.

One of the objections raised to single posting is the necessity of looking back over many films whenever examination of depositors' accounts for past periods is required. This method would not only overcome this objection but also the necessity for two cameras when taking pictures of the account sheets.

THE average depositor cares little on what day of the month his statement is prepared. It is merely used to reconcile his account at the bank with his own records and that can be done just as well on any day as on a calendar month basis. Good public relations, however, dictates that depositors should acquiesce, which means that they must be notified of a proposed change before it is put into effect. This notification can be made in the form of a letter rather than a brief printed notice. In this way it could be used as an opportunity to get in touch with depositors who rarely, if ever, hear from one of the officers.

The letter could point out that the change was being made in the interests of increased efficiency of the bank's internal operations and of service to the depositor, as it would tend to reduce the waiting time on statement days. It should also give the tentative date

assigned and request a call and discussion of the matter if that date was not convenient. Asking for a personal call is purely psychological in order to weed out those who object to the new date merely because it is new.

THE rapid growth of monthly repayment loans necessitates modern methods of handling and recording. There are four distinct steps in the successful operation of such departments: (1) receiving the application, (2) investigating the application, (3) recording the loan and payments, (4) collecting the payments.

While it is hard to say that any one step is more important than the others, still the prompt collection of the payments is essential if the department is to be profitable.

If this is to be done there must be some system that will automatically indicate due dates for every loan payment. One method that has been found satisfactory in all sizes and types of banks is the visible record system which provides the information needed by means of various colored celluloid tabs placed on the account cards.

These records, adaptable to both pen and ink and machine posting, have the advantage of being able to grow with the department without requiring a large initial outlay. For the most efficient method of handling a numerical system keyed with the due dates is to be preferred over any alphabetical arrangement. Keeping the records according to the due dates and preparing a schedule for collection follow-up on a cycle of three-day intervals places the collection activities on a systematic basis.

THE instalment loan departments of banks can learn something from the collection methods of the public utility companies. Most of these companies send a return envelope with their bills. They must have found that this practice is worth while or they would not continue it.

A combination of the coupon and return envelope has been developed. Among other advantages, this practically insures return of the coupon with the payment. At least it reduces the number of payments which come in without the coupon, and therefore will be a paying investment.

As a general rule, if the money invested in new methods or equipment can be recovered in a year or so it is not really an expense but is spending to save.

# OVERNIGHT

## COLLECTION AND TRANSIT SERVICE

---

### AIRMAIL-Coast to Coast RAIL MAIL-Within 500 Miles

**The Omaha**  
**National Bank**

Omaha  
Nebraska

Member  
F.D.I.C.

# ASK BANKING

## Authoritative answers to questions on bank operations

Following is the question that wins the \$5 award this month

**W**OULD the bank customer appreciate and understand the service charge better if the debit were itemized rather than shown as a total on the statement? What debit forms do you recommend for this charge?

PROBABLY the main reason for any depositor's dissatisfaction with the so-called service charges is this tendency of some banks to ignore all principles of successful public relations. They frequently install the measures without sufficiently explaining them in the first place, and then they put through the specific charges, as you indicate, without presenting a bill. When a person is being asked to pay for something, whether a commodity or a service, he is certainly entitled to know how the amount was determined. Banks themselves are no exception. They require

### Prizes Every Month!

Each month \$5 will be paid for the best question submitted to this department, and \$2 will be paid for all other questions answered here. Generally, the questions should be related to bank methods and operations. Only questions of general interest will be answered.

Answers will be given by E. S. WOOLLEY, who conducts the department, and other operations authorities of BANKING.

an itemized statement of every bill they pay. Why then should they not extend the same courtesy to their depositors? Merely to designate a charge on the statement by "SC" is hardly presenting a bill. Even to include a debit memo carrying the words, "the details making up this charge are open for inspection", is not sufficient. The form should show those details for every charge. A recommended form for the billing of checking services is as follows:

### CHARGE SLIP

Analysis of account for the month of \_\_\_\_\_

#### SERVICES PERFORMED

\_\_\_\_ Checks paid at 5¢ each ..... \$  
\_\_\_\_ Out-of-town items collected at 3¢ each .....  
\_\_\_\_ In-town items collected at 1¢ each .....  
Readiness-to-serve ..... 25  
Miscellaneous .....

#### Total services performed

Earnings credit  
Low ledger balance ..... \$  
In process of collection .....  
Collected balance .....  
Earnings credit, one month at 1% per year .....  
Services performed in excess of earnings \$.....

The "services performed" are shown first, since the bank is, or should be, interested in selling its services. All too frequently banks have not attempted to sell bank services but have tried to sell

## Worthwhile Booklets That Are Yours for the Asking

### House Afire

Today, or any day, one thousand American homes will catch on fire. How to guard against this tragedy to your home is explained informally but completely in a readable 16-page folder published by a large fire insurance company. It might be a good idea to pass this one around the family circle, or make it available to some of your customers.

### Re-Arming the Executive

These days, it's not a question of working any harder but of getting more work done in the time available. A 32-page booklet, smartly illustrated, has just been issued by a company, whose name is known to millions, that gives you "cold figures and hot facts" about a way to step up executive production by at least 20 per cent. The bank officer who would like to see the pile of work on his desk melt away with surprising ease will find this booklet on "Voice Writing" particularly timely.

We'll be glad to see that you get a copy of any or all of these booklets, free of charge. Each one has been carefully selected for its special value to bankers. Simply send your request to Dept. BB-4, American Bankers Association, 22 East 40th Street, New York, N. Y.

### A Criminal Loss

Public authorities and other experts estimate that our losses from alteration and forgery of negotiable instruments exceed our annual losses from fire. In a sincere effort to cut down these losses, a manufacturer of protective devices and safety paper has issued a valuable and worthwhile booklet that shows how bankers can protect themselves (and their customers, too) through the proper handling of negotiable instruments of

all kinds. Geared for quick reading, its 32 pages are packed with up-to-the-minute suggestions that should be part of the mental kit of every officer and staff member in any banking institution.

### Yesterday Was Five Years Ago

One hundred scientists and engineers connected with a leading company in the bank equipment field set out five years ago to spend \$350,000 annually in research to develop office equipment that would force bank operating costs down, and down some more. The tangible evidence of how this research got results is told and pictured in a 16-page booklet (the color illustrations are exceptionally good) that's available to bank personnel interested in increasing efficiency, lowering the costs of operation, and improving management control.

(CONTINUED ON PAGE 74)

bank costs. They have taken an apologetic attitude and claimed that they are only trying to recover their costs. Depositors, of course, do not believe this story. They know that banks are not in business to swap dollars but to make a profit. When banks, therefore, will forget these silly makeshift arguments and themselves recognize the value of the services they are performing in the checking departments, public respect will increase and depositors will not complain of service charges.

The form shown can be made the approximate size of a check. The name and address of the depositor, run through the addressograph, can appear on the reverse side.

**W**HAT is the most practical and convenient manner in which to file collateral notes, such as property statements, chattel mortgages, real estate mortgages, etc.? Should a separate file be maintained for the collateral?

**MOST DECIDEDLY** a separate file should be maintained for the collateral and access to the file should be under dual control. Prenumbered receipts should be made, one going to the customer, one following the collateral and one remaining in its numerical sequence. It is preferable to carry separate controls for secured and unsecured notes, which can again be subdivided between "time" and "demand". Collateral notes, however, should be considered to include only those notes secured by collateral

listed on the recognized exchanges. They do not include such security as real estate mortgages and chattels. Real estate mortgages are a distinctly different classification and should never be carried under "loans and discounts".

The secured and unsecured notes should not only be carried under separate general ledger controls but a like division should be made in the liability ledger. This can conveniently be accomplished by the use of different colored liability ledger sheets. In the same way the notes themselves can be separated. A secured note is a different form of note from an unsecured one. It can be filed separately by merely using a distinctive tab.

## BOOKLETS — Continued

### Business "as Usual"

Interruption of business by fire is often more serious to a prosperous concern than the property loss involved because of the numerous expenses that continue after the fire is out. Business interruption (or Use and Occupancy) insurance protects profits from such losses and may be written to cover hazards other than fire. A schedule has been made available by a well known insurance company that you can use in checking the business setup of your customers to see how much loss might be avoided with business interruption coverage.

### Signs of the Times

If your customers take to wandering around your lobby with a look of patient bewilderment, maybe they are just trying to find some sign directing them to a certain window or department. Modern signs, well located, save time and talking, speed lobby traffic, and go a long way towards making the lobby a cheerier, more attractive place to conduct business. Further light on this subject will be found in a 14-page booklet, "Light the Way to Efficient Operation". It shows photos of recent bank installations of a new-style sign that illuminates lettering carved in glass, to-

gether with diagrams of various fixtures for displaying the signs themselves.

### Flying Dollars

If you're like most of us, you probably feel that your dollars not only have wings but frequently use them without your permission. Some of these "flying dollars" might be grounded and turned into a useful fund if you had a copy of "Living Expenses" to help you. This is not a budget book—simply an easily kept record showing where your money goes (wonder how many of us really know). It has been prepared by a nation-wide financial organization to help those who sincerely wish to accumulate money.

### Previously Reported

—but still timely

**FACTORY TOUR**—A leading paper manufacturer takes you through his plant . . . shows you the how and why of paper-making . . . and explains how to select the right paper for the job.

**BUY? OR SELL?**—An impartial financial service offers a 12-page analysis and forecast of the bond market with definite buying and selling advice.

**CHARM AND PERMANENCE**—An attractive brochure published by one of America's great corporations, profusely illustrated in color, shows the advantages of copper as a roofing material that's durable, fireproof, and beautiful.

**GETTING THINGS DONE**—A 4-pager showing how real savings in time and money may be effected in various banking departments through modern dictating methods.



## Personal Loan Insurance

Increase your Personal Loan volume through our Personal Loan Life Insurance which **operates without cost to the bank**—and pays the note in the event of the borrower's death. We have always specialized exclusively in providing Personal Loan Insurance for Banks. Complete information upon request.

*We Solicit Inquiries from banks*

### The Credit Life Insurance Co.

HOME OFFICE

JOHN F. HOLLENBECK **Springfield, Ohio**  
President



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## "CENTRAL-IZE" YOUR ACTIVITIES In This Important Great Lakes Area

For a half century, Central National Bank has been identified with iron and steel, lake shipping and railroads, electrical manufacture and automotive parts, and the other vital industries of the Great Lakes Area.

Its central location and broad background make for the rapid handling of checks and commercial documents. We welcome inquiries from banks or business organizations desiring to "Central-ize" their activities in the Great Lakes Area.

50th ANNIVERSARY YEAR



# CENTRAL NATIONAL BANK

*of Cleveland*

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

# *A new investment law... and a progressive one*

ON AUGUST 22nd, the President of the United States signed into law an Act of Congress providing for the registration and regulation of investment companies by the Securities and Exchange Commission.

It is only natural that we should heartily endorse this legislation. The Commission invited Investors Syndicate and other investment companies to cooperate in its development. The new law represents the combined thinking of both the Commission and the industry.

We welcome this legislation; we welcome the benefits it will bring to our company and our contract holders; we welcome the benefits it will bring to the investment business.

As the largest investment contract company in the field, we are glad to inform all present and prospective holders of Living Protection Contracts that Investors Syndicate will conform with this Act.

## **INVESTORS SYNDICATE**

**Minneapolis, Minnesota**

# ★ ORGANIZATION ★

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A. B. A. MEMBERSHIP GROWTH . . . INSTITUTE MEMBERSHIP MAP AND CHARTS  
DEBT RELIEF FOR DRAFTEES . . . FAA CONVENTION . . . INSURANCE DIGEST

LAWRENCE SYSTEM OFFICES: New York, 72 Wall Street • Chicago, 1 No. La Salle Street • San Francisco, 37 Drumm Street • Buffalo • Boston • Philadelphia  
Kansas City • St. Louis • Minneapolis • Dallas • Houston • Los Angeles • Fresno • Portland, Ore • Spokane • Denver • Honolulu

## HERE IS YOUR KEY TO BIGGER LOAN TOTALS



### AND BIGGER PROFITS

If you can increase your Bank's commercial loan business on a basis that is consistent with the dictates of sound banking you're going to do it, naturally. You CAN do it, through the use of Lawrence System field warehouse receipts. If you have a wholesale grocer in your community, or a packer, canner, manufacturer—any type of business in fact with readily marketable inventory in its balance sheet—it will pay you to investigate how we issue warehouse receipts against such inventory RIGHT WHERE IT IS! In addition to putting more sound loans in your portfolio, you'll find that business men appreciate the release of additional working capital which this system makes possible. Here's something definite you can do about increasing loan totals NOW. Write for free booklets describing the Lawrence System

*Lawrence System*

**CREATING COMMODITY PAPER AGAINST INVENTORY**



# The Editorial Page

By WILLIAM R. KUHNS

## Manana

**W**AITING for something to happen and postponing until manana work that should be done today is supposed to be an old Spanish custom, but as a matter of fact it is just as easy to procrastinate in English as in any other language. The only other difference is that we call it tomorrow and do our postponing apologetically and with uneasy consciences.

For instance, business has been more or less in a hesitant, postponing, waiting mood for several years, wondering what the Government would think of next. Who can blame it? The Government itself was probably wondering the same thing, and waiting. All in all the feeling has been that things were mighty difficult but if we waited long enough, somehow, someday, somebody would come along with the answer and everything would be hunky-dory.

Finally something did happen and we called it the defense program because it began with a unanimous determination to make the United States stronger, economically and in a military way impregnable. From all the talk and type on the subject one got the impression that everybody in the country and his sisters, cousins and aunts were thinking about nothing else.

## Still Waiting

FAR from it. With a good sized program of industrial development challenging our wits, and every prospect of profound changes in business, financial and political life in these next 10 years, the main crowd is still on the sidelines watching a few people run the show. Some of the most aggressive waiting ever seen in this country is being done in the capital city itself.

The nearest approach of the average person to any real participation in this historical effort is reading about it in the paper and waiting to see what tomorrow's paper will say.

A tremendous amount of work has been done by a relatively small number of individuals both in and out of the Government, but no matter how we kid ourselves the defense program still consists largely of architects' drawings, maps with pins in them and big round numbers indicating prospective dollars, factories, men, planes and tonnages.

## Defending What, with What, Against What

"It's LATER than you think" is the sour warning that we often see carved on sun dials. There is the story, too, of the man who was always waiting for everything to be all right tomorrow and experienced a great desire to read next week's newspaper right away. He got his wish and the first thing he saw was his own obituary.

This is beginning to sound too grim for an essay that is not exactly about war but about defense—particularly the defense of all those things that we have in mind when we use the word freedom. Some call it private

enterprise but this is not quite accurate because private enterprise is not in any danger from abroad or from within our own borders. Who could possibly have more private enterprise in their gizzards than a dictator and the swarm of privately enterprising people around him? Sometimes we fall into the mistake of thinking of private enterprise as a characteristic found chiefly in the businessman, whereas actually it occurs in its most serious form in the genus politico.

The place where this particular defense effort must begin is in your own home area. You don't need to cross an ocean to find people who believe that the Government should take over the banks, operate businesses and concentrate in itself all economic power. You can find them right across the street and next door. They are not mysterious plotters but ordinary fellows who have either forgotten or never realized that independent banking and individual liberty are identical, that one without the other is inconceivable.

No matter what may have caused this weakening of faith in the American way on the part of some, the responsibility for doing something is yours, the time is now and the place is home, sweet home. Putting it another way, re-education is just as essential in this picture as rearmament.

## A Common Cause

THE WAY in which bankers can best serve the nation is by unity and working actively through their organizations, local, state and national. There is no other way, in fact. Locally a strong clearing house or other community group can take the lead in finding out just where the town fits into the changing picture. Through state and national bodies the efforts of the local organizations can be coordinated and aided in various ways. Perhaps it would be a good idea to stop reading this page right away and turn to the first article in the issue entitled "Weigh Your Community".

## And Speaking of Unity . . .

THE DANGER of Government banking is not an isolated problem. It is part of the whole question of Government competition with private business. When the Government competes with utilities, railroads and the building industry or attempts active operation of any factory, railroad or power plant, the banks and every other business are directly concerned. It is a common cause and unless it is regarded as such all efforts at defense will be ineffective.

It is frequently the case that one industry or group will give nothing more than intellectual sympathy to another which happens to be in the line of fire from Government competition or hampering political action. The tendency has always been to let the other fellow fight it out against the big guy alone, forgetting that your turn came next.



ALVAH TROWBRIDGE



MYRON T. HERRICK



FRED I. KENT

Mr. Trowbridge was President and Mr. Herrick was Vice-president of the A.B.A. in 1900 when the American Institute of Bank Clerks was authorized. Mr. Kent, member of the board of Bankers Trust Company, New York, was first president of the A.I.B.

## The Institute Then and Now . . .

### *In October 1900*

WHEN people realize their own shortcomings and set about correcting them, those specializing in human behavior feel hopeful of their future.

Shortly before the dawn of the twentieth century a group of bank clerks in Louisville and Buffalo determined that they, the banks, and the public would mutually benefit if they were academically trained in their chosen profession. They felt circumscribed by their own limitations.

To the American Bankers Association they presented a petition, which read in part:

"Believing that the future of banking in this country demands better training than it is now possible for bankers to acquire and with the desire on our part to use all available means . . . for qualifying ourselves for our profession, we, therefore, respectfully petition that the American Bankers Association will father a movement toward the

founding of an institute of American bankers, opening . . . facilities for study and training similar to those afforded in England and Scotland, and elsewhere. . . .

Prior to this, a group of Minneapolis bank clerks studied commercial law and formed Minneapolis Bank Clerks' Association—later the nucleus of Minneapolis Chapter.

*The Commercial & Financial Chronicle* of October 13, 1900, in reporting the proceedings of the American Bankers Association Convention held in Richmond, Va., 10 days earlier, said:

"As regards the work of the Convention, we regard as its most important action the resolution approving the recommendation of the Committee on Education for the establishment of an Institute for the education of bank clerks . . . the clerks themselves have been most urgent in favor of such a scheme."

Thus came into being the American Institute of Bank Clerks, which by 1903, when it held its first national con-

Richmond's financial district in 1900—the birth place and date of the A.I.B.



vention in Cleveland, had 24 chapters, with a membership of 6,000 and class enrolments of 4,800.

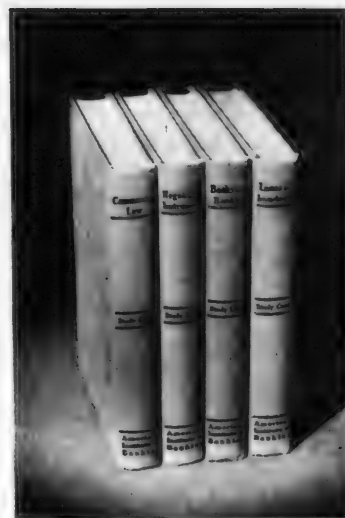
Sixteen courses, ranging from penmanship to political economy, were offered in the beginning. However, experience soon demonstrated that there was little demand by bankers for educational courses other than those dealing with banking and kindred subjects; whereupon, three courses were prepared in the respective subjects of "Practical Banking", "Commercial Law", and "Political Economy". Textbooks in use by other educational bodies were then used for Institute courses.

It was soon found, however, that the Institute program required texts more specifically covering banking operations and it began editing its own books. The first of these were issued in pamphlet form and later were replaced by bound volumes.

\* \* \*

The name was changed from American Institute of Bank Clerks to American Institute of Banking in 1907, following action by the Board of Trustees at Hot Springs, Va., requesting that the Institute be made a section of the American Bankers Association.

Textbooks in use by the Institute in 1916—the year Richard W. Hill joined the staff as Assistant Educational Director



Below, the first edition of the *Bulletin*



George E. Allen was Assistant Secretary and joint editor of the *Bulletin* 1901-3; Secretary 1903-8; National Educational Director 1908-1922

Stephen I. Miller, Jr., National Educational Director from 1923 to 1927



October 1940

## Bulletin of the American Institute of Bank Clerks

Volume 1

New York June 1 1901

Number 1

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Published Semi-Monthly by the American Institute of Bank Clerks Twenty-five Pine Street New York City

THE American Institute of Banking, at the end of 40 years of development and growth, is the largest educational organization of its kind in the United States, with 67,702 members and 46,318 students. It is composed of 248 chapters, 20 chapter branches, 108 study groups and one state chapter. (See map and charts on page 84.)

More than 300 Graduate, 27,185 Standard and 35,919 Pre-Standard Certificates have been awarded to Institute members during its life span.

While the Institute had but 11 courses in its curriculum in 1927, today it has 19, with two more in prospect. Seventeen A.I.B. texts are in use, which are being revised and rewritten constantly. Seven are being revised this year, with three revisions scheduled for 1941.

A faculty of more than 1,200 members, in addition to hundreds of special lecturers, is scattered throughout the nation in centers where Institute classes are given.

In addition to regular class study, bank workers in small communities are offered opportunities for self-betterment through correspondence courses, which offer practical instruction comparable to that received through class attendance.

Informal educational activities—such as interchapter debating, public speaking and forums—supplement the formal educational program of the A.I.B. Through these channels members are enabled to cultivate lifelong friendships, which further enlarge their capacity for teamwork and leadership.

Last year 69 chapters, with 563 participants, engaged in 468 debates. Interchapter debating is fostered and encouraged by the National Debate Committee, which selects the two outstanding debate teams of the country to engage in the National Convention Debate for the Institute Cup.

Since 1927, when public speaking first became an Institute study course, interest has increased steadily in this activity. In 1939-40, 98 public speaking classes, with an enrolment of 1,827, were conducted. Winners of district meets participate in the contest held each year at the Annual Institute Convention.

#### *Graduate Certificates first offered in 1934*

The Forum has been an important activity of the Institute for more than 20 years. Last year a total of 543 forum



Above, left to right, J. L. Dart, President, and George T. Newell, Vice-president of the American Institute of Banking

meetings were held, with 129 chapters participating, and a total attendance of 55,154.

The Annual Convention of the Institute is another source of inspiration and instruction to A.I.B. members through its departmental conferences. More than 1,600 delegates attended the Boston convention in June.

Innovations in the development of the Institute's usefulness have been evolved constantly. One of the most recent and important is The Graduate School of Banking of the American Bankers Association. At the Annual Convention of the A.B.A. in Los Angeles, in 1932, Dr. Harold Stonier, then National Educational Director of the Institute, suggested this new school to provide bank officers with specialized study and experience in the major problems of banking.

The Graduate School of Banking became a reality in June 1935 when the first resident session was opened at Rutgers University, New Brunswick, New Jersey.

Of the 200 bank officers enrolled in the 1935 class of the Graduate School, 190 were graduated in 1937. The 1940 session had 698 students, with 232 graduates. Included in the 1940 graduating class were nine bank presidents, one board chairman, two bank directors, and 34 vice-presidents.

The American Association for Adult Education published a book in 1932 entitled Educational Experiments in Industry. In writing of the American Institute of Banking, the author made this statement:

"In point of numbers this (the American Institute of Banking) has stamped itself on its field more indelibly and more successfully than any other. In fact, . . . there is no branch of industry in which the problem of educating employees has been approached with greater thoroughness. There is none in which a higher degree of success has been attained. . . ."



Left, a view of the general offices of the American Institute of Banking at 22 East 40th Street, New York City, headquarters of the American Bankers Association





DR. HAROLD STONIER



DR. WILLIAM A. IRWIN

☛ Dr. Stonier served as National Educational Director of the American Institute of Banking from 1927 to 1940. Since 1935 he has been Director of The Graduate School of Banking, and since 1937 Executive Manager of the American Bankers Association in addition to continuing his directorship of the Graduate School. ☛ Dr. Irwin succeeded Dr. Stonier in June 1940 as National Educational Director of the Institute. He also is Assistant Director of The Graduate School of Banking. Dr. Irwin joined the Institute in 1937 as Assistant Educational Director and

became Associate Educational Director in 1939. ☛ Mr. Hill in 1916 was appointed Assistant Educational Director of the Institute. He served as its Secretary and Editor of the *Bulletin* from 1919 to June 1940. He is now Secretary of the American Bankers Association and Registrar of The Graduate School of Banking. ☛ Mr. Larson became Assistant Secretary of the American Institute of Banking in 1937 and succeeded Mr. Hill in June 1940 as Secretary. He was formerly executive secretary of Minneapolis Chapter.

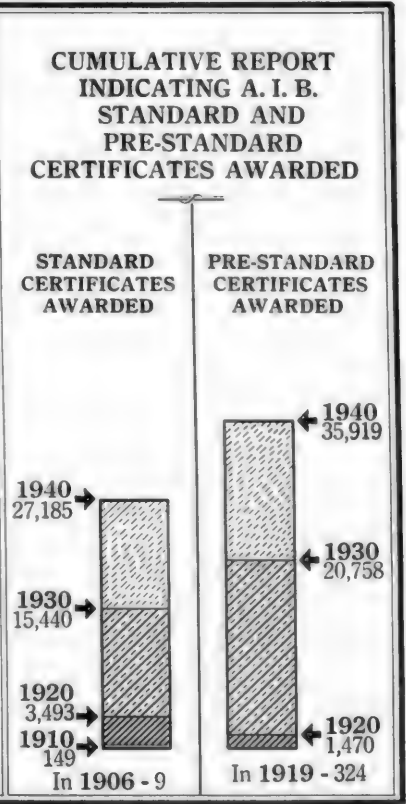
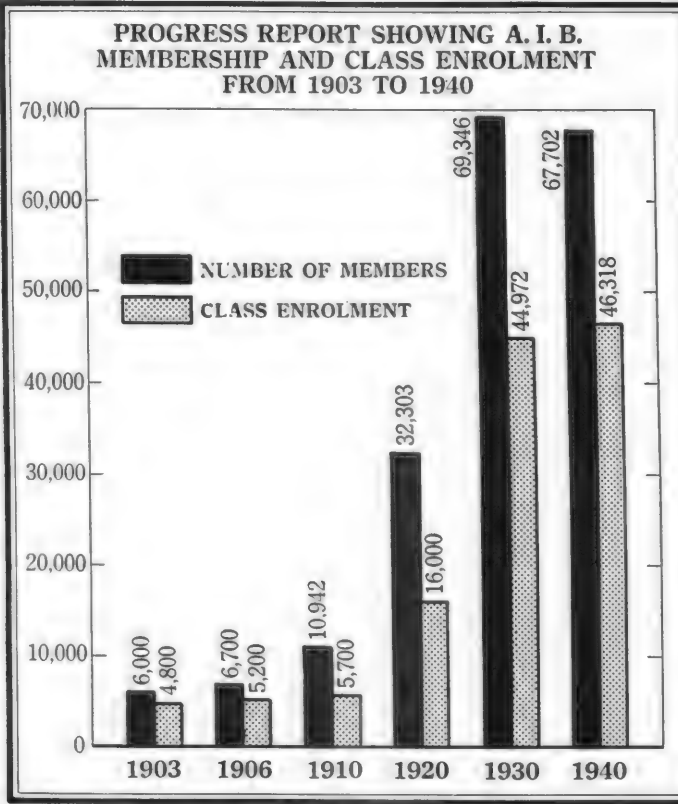
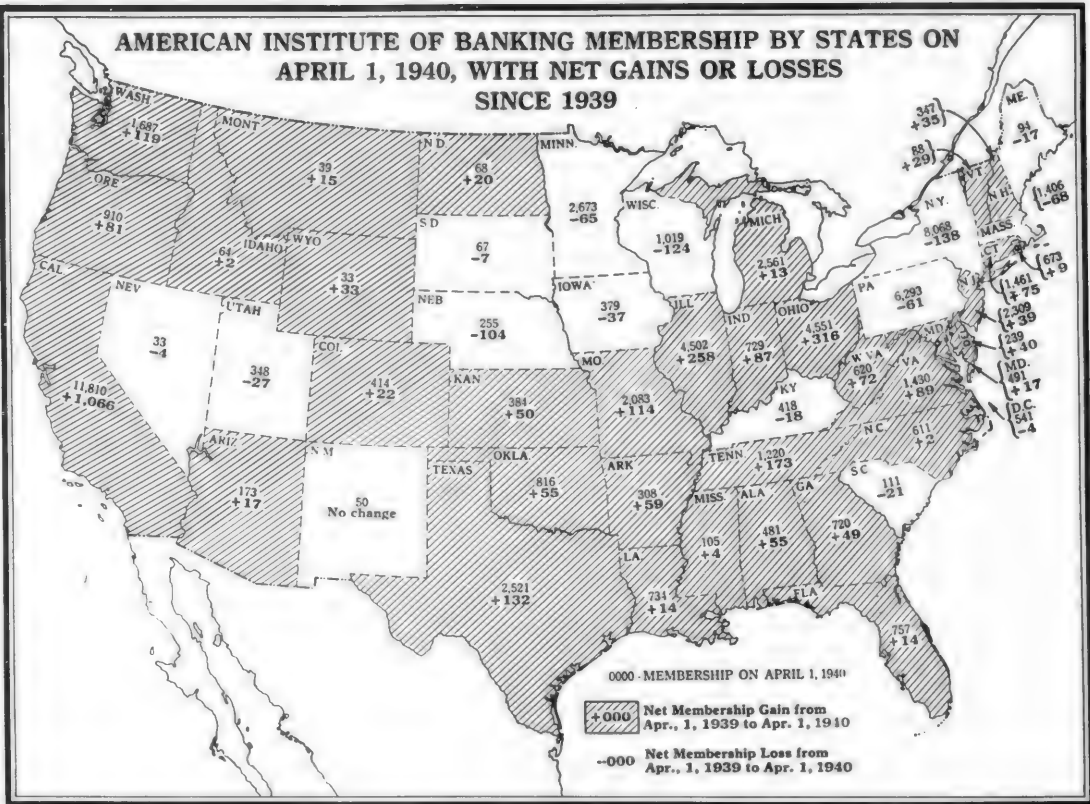
RICHARD W. HILL



FLOYD W. LARSON



Left, Miss Marion Turner, Text Editor of the American Institute of Banking, with 17 texts in use by the Institute, as follows: Bank Organization and Operation, Commercial Law, Negotiable Instruments, Economics I, Economics II, Money and Banking, Accounting, Analyzing Financial Statements, Bank Administration, Credit Administration, Corporation Finance (Investments I), Corporation Finance and Investments (Investments II), Trust Business I, Trust Business II, Home Mortgage Lending, Utilizing the Weekly Federal Reserve Statement (special course) and Farm Credit Administration (special course)



# The Business-Building Course

MILTON WRIGHT

MILTON WRIGHT, an authority on public relations, is the author of several well known books on business and personal development. Under the general supervision of the A.B.A. Public Relations Council, he has written the course in Building Business for Your Bank.

FOR several months, you who read BANKING have been seeing articles on the preparation of the A.B.A. course in *Building Business for Your Bank*. It is now complete and ready for you.

Our purpose is to show staff members how to get new customers. We tell every member how he can do his part to help in the sale of bank services and building good will.

As a basis for an opinion on just how practical the course is, suppose we take a few frequent questions and see what the course would have to say about them.

"I never see a customer or a prospect," says a bookkeeper. "How can I discover an opportunity to sell a bank service?"

"READ between the lines in the items which pass through your hands," the course suggests. Let us quote:

"Suppose that the bookkeeper notices that the customer is paying out substantial amounts in the latter part of each month. The bank customer isn't taking advantage of special trade discounts.

"Studying the account a little more, the bookkeeper notices that the large checks are not drawn until the balance has been built up by the incoming receipts. Presumably, the customer is obliged to wait until people pay him before he can pay his bills. Apparently here is a case where a customer could borrow money to advantage."

"Why won't you let me draw immediately against an out-of-town check I have just deposited?" complains a customer.

It is an old question, but still customers ask it, and still they remain disgruntled. Here is an explanation, which, according to the course, ought to satisfy them:

"I wish we could cash this check for you. While we are certain that the maker of the check which you have just deposited is good for that amount, there are many contingencies which might arise. For example, payment might have been stopped on the check after it was issued, in which case we could not collect it.

"There is no question in our minds about its validity, but it is drawn on an out-of-town bank and until it is sent out and the money paid back here, we do not have the funds it represents.

"If you were to draw against the deposited check before it is collected, it would be the same as if we were extending a loan to you for three days. This would not

be fair to our other customers who pay interest."

"Wouldn't it be safer, because of Federal deposit insurance, to divide my \$50,000 account among ten banks than to put it all in one bank?" asks a prospective depositor.

THERE are four pages to the answer to that one. One bank that is quoted answers it this way:

"The limit of Federal deposit insurance on the accounts of one person in a bank is \$5,000. Some of the banks feel that the assurance of safety should extend to deposits in any amount. Our bank is one of these.

"I wonder if you have seen our financial statement. If you have, you see that the nature of our liquid assets furnishes the best possible insurance for the safety of deposits. It is practically 100 per cent liquidity. Added to these quick assets are the investments of the capital and surplus, so that altogether this bank may be said to have 120 per cent safety. In such a position, how would it be possible for the bank to fail? Only through poor management, and poor management does not occur overnight."

But you don't stop with the safety factor. You go on with the credit-reputation argument, such as:

"If you are a \$5,000 depositor in each of ten banks, you are a \$5,000 man to each of them. If you have a \$50,000 deposit in one bank, you are a \$50,000 man."

"Why do you charge one man 6 per cent for a loan, while another can borrow at only 2 per cent?" asks a borrower who thinks you are treating him unfairly.

A PART of the answer goes like this:

"There is a certain amount of work connected with each loan, including investigating, keeping records and a variety of handling tasks, involving a certain amount of expense. This expense must be paid back to us from the interest we charge. Obviously, it would cost more to handle a thousand loans of \$100 than one loan of \$100,000. We would have to charge more.

"As a matter of fact, it really costs less to handle a big loan than a little one—not merely less in percentage, but less in actual dollars. A firm that borrows a large sum is usually a firm about which the facts are known.

"Usually, also, no current trade check-up is required.

"With the little fellow, you must spend time and money to look into his history, habits, resources and reputation. It costs you more in dollars to handle a little loan than a big one.

"In between these two extremes, there are companies of varying sizes and degrees of responsibility, and the rate may vary from 2 per cent to 6 per cent, according to the amount of work involved, the risk and the reason for the loan. In every case, however, the charge is as fair and reasonable as we can make it."

# Careers in

## Rochester



**T**HE first nine A.I.B. Standard Certificates were awarded in 1906, since which time holders of Standard, Pre-Standard and Graduate Certificates have mounted steadily. In 1939 there were 2,251 Standard and Pre-Standard graduates.

**BANKING**, with its camera, dropped in on the graduation exercises of Rochester and Cleveland Chapters last month and depicts typical scenes at these chapter activities. Commencements are held by about half of the chapters in the Spring; by the others in the Fall.

Rochester Chapter awarded 37 Standard, Pre-Standard and Graduate Certificates to 36 bank men and women on September 9.

Howard R. Chamberlain, of Rochester Trust and Safe

*Left, students listening to commencement speakers*



*Above, left: Mr. Gumaer. Above, right, three faculty members—Harry L. Edgerton, instructor in bank organization and operation; Alfred T. Stewart, commercial law, and Lula B. Coleman, English*

*Below, left, graduate students Barton S. Horner, Denison B. Braman and Alfred H. Rabjohns receiving graduate certificates from Raymond B. Ward, educational director. Below, right, chapter officers. Left to right, front row, President Chamberlain, Secretary Keating, Assistant Secretary Davis, Treasurer Amon; back row, Educational Director Ward, Vice-president Kaul, Assistant Educational Director Horner, Assistant Vice-president Hay*



HARRIS & EWING PHOTOS  
**BANKING**



# Banking

## Cleveland

Deposit Company and president of the Rochester Chapter, presided. Elliott W. Gumaer, vice-president of Rochester Trust, made the principal address. Mr. Gumaer is a graduate of the Graduate School of Banking and a member of its Board of Regents.

Cleveland Chapter, on September 10, awarded 42 Pre-Standard, 12 Standard and two Graduate Certificates. Claude E. Wood, of the National City Bank, chapter president, presided. Dale Brown, assistant cashier of National City and a student of the Graduate School of Banking, addressed the graduating class—the largest in the Chapter's history.

Cleveland and Rochester Chapters are among the oldest—Cleveland was organized 1902 and Rochester 1905.



*Right, Cleveland's 1940 graduating class*



*Above, left, Mr. Brown; above, center, Robert A. Marshall, of National City Bank, who received a \$35 award for the highest grades; above, right, Mr. Wood*

*Below, left, chapter officers, faculty members and students banqueting at Hotel Statler. Below, right, Oscar L. Cox, center, president of Union Bank of Commerce, assisted by Anthony Poss, right, of Central United Bank and Educational Director, presenting a graduate, Kenneth R. Pretzer, with a certificate*



# Are You Keeping Up?

Dr. Agger is Associate Director of the Graduate School of Banking of the A. B. A. and a member of the Rutgers faculty

## Test Yourself

*There is hardly a person today in the group called students of banking—and that includes everybody in the business—who doesn't have a feeling that the news is getting ahead of him. Today, more than ever before, we need the answers. Just by way of seeing how much goes on around you that affects your business, read and answer these questions, based on this issue and the September issue of BANKING.*

### October Issue

1. What part can "spontaneous local action" play in the development of defense work? (pp. 25-27)
2. What was the fate of "Textile City"? (pp. 25-27)
3. Explain the statement that "the selection of (community) objectives should be based on the facts"? (pp. 25-27)
4. What was the experience of Baltimore in connection with its community survey? (pp. 25-27)
5. In what sense may deposit liabilities be included with invested capital in bank taxation? (p. 13 ff)
6. Why, during the year ending last June 30, did deposit liabilities increase twice as fast as loans? (p. 13 ff)
7. Are bankers playing any part in the Defense Advisory Commission? (p. 13 ff)
8. How may a profits tax based on invested capital dis-

criminate against a young bank as compared with an old one? (p. 13 ff)

9. What are some of the important functions of the Comptroller General of the United States? (p. 13 ff)
10. What are some of the indicated gains in the use of food stamps in Austin, Texas? What part do the banks play in their use? (p. 61)
11. What part may banks play in providing housing? (p. 37)
12. What is the present day attitude of commercial banks toward savings deposits? (p. 92)
13. What governmental agencies compete with the banks in connection with savings deposits? (p. 92)
14. How can small local banks aid in the development and share in the earnings of local trust business? (pp. 30-31)
15. Explain the meaning of the statement that the present war is a "socialist war" and not a "capitalist war"? (p. 28-29)
16. How have the three great capitalist nations, "which are declared to be each in turn an object of Nazi-Communist plans of conquest", been made "relatively incapable of resistance"? (pp. 28-29)
17. What are some of the important technical matters to be taken into account in connection with life insurance policy loans? (pp. 35-36)
18. What are some of the safeguards protecting holders in the United States of policies in foreign fire insurance companies? (p. 62)

**DEFENSE.** Workers in a Federal arsenal straightening a gun casing. See Question 1



INTERNATIONAL

**COMPETITION.** The ever-expanding core of the Capital City. See Question 35



FAIRCHILD AERIAL SURVEY

**BANKING**

## with These Questions by Eugene E. Agger

### September Issue

19. May excess profits taxes on plane producers result in greater long-run costs? (p. 17)

20. What is the trend in business, according to bankers? (p. 21)

21. What economic opportunities are afforded to interior communities by the defense program? (p. 33)

22. What dangers for a community may arise in connection with heavy participation in the defense program? (p. 33)

23. What part should bankers play in formulating a program of local participation in defense work? (p. 33)

24. What causes gave rise to the creation of so many governmental financial agencies? (p. 35)

25. Enumerate as many of the governmental financial agencies as you can and explain their field of operation. (pp. 35 ff.)

26. What is meant by the statement that to some extent "the Government is held to compete with the banks with their own money?" (p. 35)

27. In what manner does "excessive or discriminatory state taxation of banks" threaten to impair their capital structure? (p. 35)

28. What cost advantage accrues to non-insured banks as compared with those whose deposits are insured by the FDIC? (p. 59)

29. What is the basis of the statement that "there is no basis of comparison between the rate of an *ad valorem* share tax and the rate of a tax on or measured by income"? (p. 59)

30. Are all banks in a given state uniformly taxed? If not, why not? (p. 59)

31. In what way may Pope's famous lines about clinging to the old or trying the new be applied to bankers? (p. 64)

32. What types of insurance are of interest to bankers? (p. 64)

33. What problems in connection with consumer credit are presented by the new draft law? (p. 67)

34. Why are the investment portfolios of banks so important today? (p. 72)

35. What are the factors which emphasize the formulation of a definite investment plan by bankers? (p. 73)

36. Explain the statement that "the market risk in the portfolio should not exceed the amount of protection afforded by capital accounts." (p. 74)

37. What are said to be "the five essential principles of bond investment"? (p. 80)

38. What are meant by "taxi accounts" in banks and what advantages do they afford to the banker? To the depositor? (p. 82)

39. What is meant by a "term loan"? What part is it playing in present day American banking? (p. 84)

**HOUSING.** An aircraft factory employing hundreds of workers. See Question 11



FAIRCHILD AERIAL SURVEY

**WAR.** Hitler and two of his generals on the eastern front. See Question 16



ACHÉ

## "Exponent of Economic Sanity"



PRESIDENT HANES



SENATOR GLASS

Although, because of time limitations, **BANKING** cannot make a full report on the Convention in Atlantic City, probably the outstanding event on the program, as arranged, was the presentation by President Hanes of a testimonial to Senator Carter Glass. On this occasion, President Hanes made the following remarks:

"IN times of war and in days of peace he has served his state and nation with high courage, intelligence, and integrity. His statesmanship, based upon the principles of constitutional government, serves as a bulwark when liberty under law is everywhere imperiled.

"A member of the state legislature of Virginia, later a servant of the people as a Congressman in the House of Representatives, one-time Secretary of the Treasury of the United States and for many years a leader in the United States Senate. His public service, extending over a period of more than forty years, has been distinguished by fearless devotion to our common welfare.

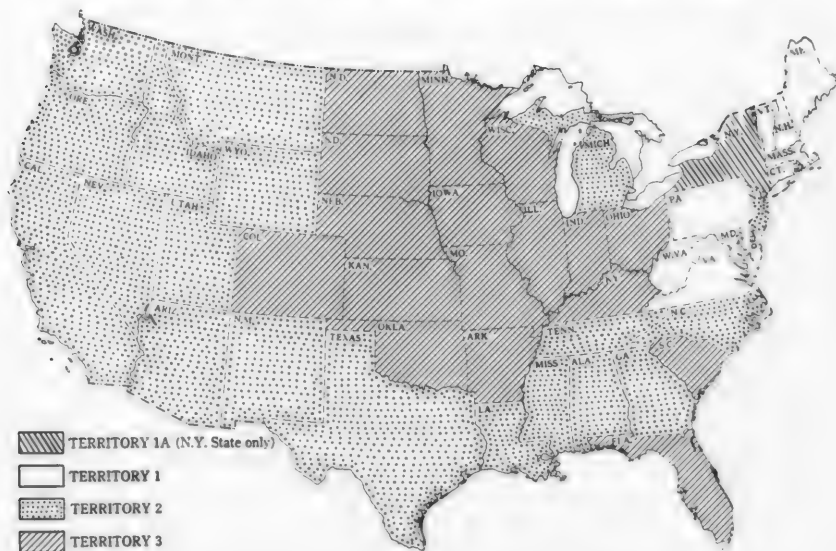
"Throughout his career he has been an

exponent of economic sanity in the fiscal affairs of government. No man in public life in his day and generation has been a greater student of banking; no one has surpassed him in his constructive contributions to banking legislation. As author of the Federal Reserve Act of 1913 and defender of sound principles of central banking, he has resisted every attempt to weaken the structure of the Federal Reserve System which he fought so hard to establish over twenty-five years ago.

"The bankers of America respect his judgment, honor his courage, and admire his ability. On their behalf, the American Bankers Association is delighted to extend him this testimonial of their high regard."



# New Bank Robbery Insurance Rates and Territorial Classifications



Here is a picture of bank robbery insurance rates announced on September 2, 1940, and made retroactive to apply to all policies written or renewed since June 30, 1940, in the various states. Because of the reductions granted since BANKING published similar data in January 1939, the Insurance and Protective Committee of the American Bankers Association feels that up-to-date information may be helpful to banks, at least for the purpose of auditing robbery premiums.

It should be remembered that the data and the groupings apply only to daylight "robbery" (commonly known as "holdup") coverage under bank burglary and robbery policies and not under Insuring, Paragraph 1, thereof which insures against loss through night "burglary". Rates in Territories 1 and 1A remain unchanged.

Territory 4 is eliminated and banks therein now enjoy the lower rates formerly applied to Territory 3. Territory 3 is combined with the former Territory 2, where the robbery rates are reduced from 12½ per cent to 50 per cent, according to the amount of robbery insurance carried and the size of the towns in which insured banks are located. In addition, underwriters have restored the privilege of writing policies for three years, for which advance premium payments effect a further saving of 16¾ per cent.

Banks carrying primary bank burglary and robbery policies which became effective or were renewed during the two or three months preceding July 1, 1940, should check with their brokers or agents to determine whether or not it would be to their advantage to cancel their present policies at "short rates" and have them rewritten for either a one-year or three-year term at the new rates.

## STATES COMPRISING EACH TERRITORY

Territory 1A includes New York State only.

Territory 1 includes 11 states:

Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, Pennsylvania, Rhode Island, Vermont, Virginia and West Virginia. Also the District of Columbia and Hawaii.

Territory 2 includes 19 states:

Alabama, Arizona, California, Georgia, Idaho, Louisiana, Michigan, Mississippi, Montana, Nevada, New Jersey, New Mexico, North Carolina, Oregon, Tennessee, Texas, Utah, Washington and Wyoming. Also Alaska.

Territory 3 includes 17 states:

Arkansas, Colorado, Florida, Illinois, Indiana, Iowa, Kansas, Kentucky, Minnesota, Missouri, Nebraska, North Dakota, Ohio, Oklahoma, South Carolina, South Dakota and Wisconsin.

## THE ROBBERY INSURANCE RATES FOR EACH TERRITORY NOW IN EFFECT

Territory 1A (N. Y. State)		Rate
Towns less than 1,000 population.....	\$1.20 per \$1,000	
Towns 1,000 population and over.....	1.00 " "	

## Territory 1

	Rate
Each \$1,000 of first \$5,000 (for money or securities or both, not subject to any discount).....	\$2.00
Each \$1,000 over \$5,000.....	1.00

## Territory 2

Population	Rate for each \$1,000 of first \$5,000 (for money or securities or both, not subject to any discount)		Rate for each \$1,000 over \$5,000
In Towns of 1 to 9,999.....	\$7.00		\$3.50
" " " 10,000 to 24,999.....	7.00		2.50
" " " 25,000 and over.....	7.00		2.00

## Territory 3

Population	Rate for each \$1,000 of first \$5,000 (for money or securities or both, not subject to any discount)		Rate for each \$1,000 over \$5,000
In Towns of 1 to 9,999.....	\$10.00		\$6.00
" " " 10,000 to 24,999.....	10.00		5.00
" " " 25,000 and over.....	10.00		3.50

# The Value of Serving Savers

A SURVEY made by a committee of the Savings Division, American Bankers Association, indicates that commercial banks still have a definite interest in savings deposits. The evidence now at hand refutes rather decisively the widespread belief that banks do not want these deposits.

Of the 991 institutions replying to a questionnaire, 95.9 per cent said they felt banks should continue actively in the savings business. Many bankers took the trouble to write letters pointing out that the opportunity for saving was a public service which should be maintained and that everything should be done to encourage thrift.

Four fundamental questions were put to 1,348 commercial banks having savings departments, the purpose being to lay the groundwork for a comprehensive and aggressive development program drafted by the Division's Committee on Savings Development of which Stuart C. Frazier, vice-president of the Washington Mutual Savings Bank, Seattle, is chairman. It was felt that data and facts relative to the acceptance of savings deposits by the commercial banking institutions should be obtained before the program got under way, and that it was necessary to ascertain first whether the banks wanted to keep their leadership in the savings field against the competition of other, including Government, agencies.

Wendell M. Smoot, vice-president and cashier, Utah State National Bank, Salt Lake City, was appointed chairman of a subcommittee to make the inquiry. Other members were G. Allen Huggins, assistant treasurer, Strafford Savings Bank, Dover, New Hampshire, and W. W. Slocum, president, United Savings Bank, Detroit. The subcommittee drafted and distributed a questionnaire which called attention to a "widespread" opinion "that banks are not alert to the danger of the serious and perhaps permanent loss of savings business to organized competition, such as insured savings and loan associations, United States Savings Bonds, and other agencies."

"It is felt," continued the questionnaire, "that banks should assume a long range program of aggressively seeking and accepting all legitimate savings business in order to maintain their leadership in the savings field."

"To aid the Savings Division of the American Bankers Association in its survey of this important subject and in its efforts to study plans and methods to offset this trend, we shall appreciate your answering the following questions":

Here are the questions:

1. Do you feel that banks should continue actively in the savings business?
2. Do you feel that a positive program to encourage new savings business should be adopted by banks?
3. Do you accept all legitimate or bona fide savings deposits offered you?
4. Do you think that banks which are now restricting

acceptance of legitimate savings deposits will have difficulty in attracting such deposits as have gone into competing thrift agencies when at a later date it develops that such deposits can be more profitably invested by banks than at present?

When the replies from the 991 banks in four deposit size groups were tabulated, the answers to all the questions were emphatically "Yes", the largest affirmative vote, the 95.9 per cent previously reported, being given on No. 1.

Here is a tabulation of the answers:

Deposit Size	Banks Replying	Percentage of Affirmative Answers to Questions			
		1	2	3	4
Group 1—\$1,000,000—\$5,000,000 ..	721	95.6	82.5	89.6	82.4
Group 2— 5,000,000—25,000,000 ..	197	95.9	81.7	90.4	84.8
Group 3—25,000,000—50,000,000 ..	35	100.0	85.7	97.1	77.1
Group 4—Over \$50,000,000 .....	38	97.4	73.7	94.7	79.0
Total .....	991	95.9	82.1	90.2	83.5

As further evidence of a desire for a definite program looking to aggressive development of the savings business, many bank officers commended the A.B.A. study and offered helpful suggestions and comments.

Numerous letters suggested that the time would again come when, in the words of an Iowa banker, "we will be very glad to have a substantial amount of savings business." A letter from an Indiana city said these deposits were "our principal supply of funds, our backlog during periods of depression", particularly in the small cities and towns.

The public service value of savings was stressed perhaps more frequently than any other point.

"Savings is more than garnering up money for release in larger sums for investment," said an Oregon bank officer. "Saving is a habit that is worthy of cultivation in a nation set up economically as ours is. It is my opinion that we should again interest ourselves actively in encouraging our people in a plan of regular systematic saving of their money."

From the State of Washington came these observations on competition from other agencies:

"We think banks will not have difficulty in attracting business away from Government agencies. We have innumerable instances of people preferring to do business with us instead of with the Government agencies when the agencies are offering cash inducements in the customer's favor in the form of higher rates on deposit or a lower rate on loans."

A Georgia banker took a different view.

"I am definitely of the opinion," he wrote, "that banks will have great difficulty in attracting savings deposits once they have been lost to competing agencies. Those agencies usually are upon a higher rate basis than banks can offer to pay, and as their operations are now upon a more restricted basis along with other aids now rendered, once a customer has been accustomed to receipt of a higher income, it is very improbable that he would return to the banks when doubtless the banks would not be able to meet the rate situation."

# Timely Topics

## Wages and Hours Act

Col. PHILIP B. FLEMING, Wage-Hour Administrator, before the IOWA BANKERS ASSOCIATION.

NO authoritative ruling has been made by the courts as to whether bank employees are engaged in interstate commerce within the meaning of the wage and hour provisions of the Fair Labor Standards Act.

But the best legal opinion we can get is that most of them are so covered. I do not believe there is any longer room for debate. The coverage is extended to those engaged in interstate commerce or in the production of goods for interstate commerce, so the test here is whether bank employees are so engaged.

It would be pleasant if I could tell you how to comply with the Act without it costing you a single cent, but I can't do that. And I don't believe anybody else can do it, either. When Congress passed the law I think it expected that it was going to cost employers something.

## Blessing in Disguise

LESLIE K. CURRY, Assistant Vice-president, Mercantile-Commerce Bank and Trust Company, St. Louis, before district meetings of the WISCONSIN BANKERS ASSOCIATION.

As a practical matter, the Act [Wage and Hour Law] should not be particularly burdensome to banks because of the very small additional overtime cost and the fluctuating workweek method of calculating overtime which is available. Recently, I made the statement that the law contained some of the elements of a blessing in disguise. Notwithstanding the fact that that statement drew some critical comment—I make it again.

Busy with the details of operation, we have been so close to our problem that we have failed to see the profits that might be made to accrue through a refinement of operating methods.

We may acknowledge for a moment that improvements can and should be made, and sometimes even promise ourselves that we will make them—but we rarely keep the promise. Some incentive has been needed, and whether or not banks are subject to this law, it is the incentive that has been necessary to bring about needed revisions in operating methods.

After October 23 [when the 40-hour provision becomes effective], we must either resign ourselves to increased labor costs or find the means to reduce work hours.

A proper revision of operating methods, looking toward the elimination of duplicated effort and unnecessary records, will generally solve the overtime problem, and, which is equally important, will frequently produce a substantial reduction in costs. Such changes must be worked out in each bank, inasmuch as local traditions and conditions inevitably exert an influence on individual bank operating methods.

Since the Wage and Hour Law provides us with an additional incentive, it seems to me that we should undertake to turn potential cost into increased net profit, and, at the same time, solve the hour problem.

## The Safest Way

SEWALL C. BROWN, Treasurer, Penobscot Savings Bank, Bangor, Me., before the MAINE SAVINGS BANKS ASSOCIATION as President.

THERE can be no question but that this country must spend, intelligently, billions of dollars annually, not on experiments but for preparedness.

Forced as we are to start with a huge national debt, if we are to keep ourselves from uncontrollable inflation, and keep our heads in a crazy world, we must raise these billions, as much as possible, from the savings of the people. Raising money by increased taxation and by the popular sale of Government bonds is not the easy way, but it is by far the safest way.

If this is so, why shouldn't we, as patriotic Americans, use all our influence toward having it financed that way, and at the same time put renewed life and vigor into our inherent task of preaching and teaching thrift?

## This War Economy

WILLIAM G. SUTCLIFFE, Director, Graduate Division, Boston University College of Business Administration, before the MAINE SAVINGS BANKS ASSOCIATION.

I THINK it is safe to say that no matter who wins the war, or whether or not we participate actively, we in the United States may be confronted in the next few years by a lowering of the standard of living of the average American. Defense is essential and no one would deny the need for these expenditures, but it should be obvious to all that dollars spent on defense are unproductive in goods and services, except in so far as they make possible the functioning of a democratic government. The dividends are social and not economic.

It is true that industrial activity has advanced; machine tool production lags behind demand; areas show the need for residential construction; unemployment is being reduced although it is still placed at about 8 million. The United States has become the money center of the world; there has been predicted an increase of 7 per cent in retail trade for the Autumn; export trade has shown an increase. In other words, practically all statistics show business improvement. We should have four or five years of good business based upon the present defense program.

But are these increases made on a secure foundation? Are they real or artificial? Artificial, in that they are the result of war economies? I think the answer is obvious—the greater part of our improvement is due to war expenditures.

# BANKING'S Digest

HERE are excerpts from a few of the many papers and addresses heard at the Atlantic City Convention of the American Bankers Association. Advance copies of all were not available when this issue of BANKING went to press.

## Know Your Bank

ELBERT S. WOOSLEY, *Vice-president, The Louisville (Ky.) Trust Company, before the SECOND GENERAL SESSION.*

AS our civilization meets the dangers of this trying time we shall be called on to place our banking resources alongside the physical and spiritual resources of young men who stand on guard and who perhaps may even make the supreme sacrifice.

It is a source of satisfaction to all of us that we are better prepared to meet any emergency than ever before in our history. Looking at our composite picture we are strong. We are liquid. Out of 65 billions of deposits, we have 23 billions in cash, and 20 billions in governments. This is a highly desirable position, because banking, no more than the nation, can meet a fighting world without being prepared. It would be just as dangerous for us to set out to meet turbulent economic conditions without being strong and capable as it would be for this nation to challenge some foreign military power without being prepared to fight.

We must continue to lay up strength for the exigencies of the times. We must prepare by knowing our banks better. We must prepare by further building up impregnable strength, for out of such strength only can come the reserves to absorb losses incurred in times when our risks are greater. We must prepare by the elimination of unsound banking practices wherever they exist. We must prepare by the conduct of our business so that the public may sense the unselfishness and honesty of our purpose and may approve our course of action.

## Know Your Trade Area

C. W. BAILEY, *President, First National Bank, Clarksville, Tenn., before the ROUND TABLE CONFERENCE ON BUSINESS DEVELOPMENT.*

AN effective and accurate survey of an agricultural trade area, made by a country bank, must be approached from at least three different angles, and may be considered with profit from a fourth. All of these are just the simplest sort of rules of good management, which should be current in every country bank.

It is first of all necessary to know what the lands in the area can and will produce when cultivated by competent farmers.

It is of the utmost importance to know what and where are the available markets for the farm products, and whether the prices prevailing are in line with other markets.

It is essential for the success of any lending program in a country bank to know in advance just as much as possible about the financial worth, ability and business history of every farmer living in the trade area served by the bank.

## A Word for Savings

A. GEORGE GILMAN, *President, Malden (Mass.) Savings Bank, before the SAVINGS DIVISION as President.*

MAY I suggest that each and every one of us rededicate ourselves to a work to which most of us have given a lifetime of service—to assist and promote the accumulation of savings?

Never in the history of our country has there been a time when it was more important to stress the importance of thrift and savings. What demands will be made upon our country in connection with the present world state of affairs, no one knows. It is safe to say there will be a greater need than ever before for an accumulation of savings funds to assist our country in surviving any crisis.

## America's Savers

DR. PAUL F. CADMAN, *Economist, A.B.A., before the SAVINGS DIVISION.*

IN the modern mechanisms of our economic life, we observe a phenomenon which is disturbing to many; namely, the steady decline in the interest rate. Once again an old question is being asked, will the return on capital fall so low that men will cease to save?

There is considerable evidence that men will save without any return. It is conceivable that some will save at a loss. Some would pay a premium to have a certain sum surely available for their future needs. Saving may be influenced by the interest rate, but it will not be determined by it. The unreasoned monetary policy of an experimental decade may glut the money market; the public debt may rise through the fanciful pursuit of visionary progress to a point which indicates a future insolvency; little men may fret, fume and mock at the conservors and savers; but it is the provident who are steadily filling the reservoirs of capital on which our entire standard of living depends.

When the future state with its little dictators and its uniformed directors owns and manages all industry, when it cracks the whip over a servile and dependent population, it will still be true that wealth cannot be distributed unless it is created, and that a portion of that which is created must be saved.

Fortunately for us, sound traits of character are not easily destroyed. The overwhelming majority of our people still work and save. It is they who give character, substance, and reality to American democracy. In the long run they will reassert their independence, they will weary of supporting the bureaucracy which interferes



with, and confiscates their property, restricts their rights and destroys their opportunities.

The custodians of capital in every phase of private finance have a solemn duty to care for, to encourage, and to believe in, the savers of America.

### The Happy Middlepath

MELVIN ROUFF, *Senior Vice-president, Houston National Bank, before the NATIONAL BANK DIVISION as President.*

**D**IRE results will certainly follow if bankers, under the urge of creating revenue, allow themselves to make unsound loans or purchase undesirable low grade bonds. Bankers everywhere are noting the common experience of having an unusually large proportion of unorthodox applications. This is caused by the publicity given to the scarcity of loans and the desire of banks to make them. The publicity is good provided bankers have the courage to decline the borderline cases. It should be remembered that if any bank makes enough of these borderline loans the law of averages will prevail and losses will result. These losses will more than offset the added revenue. On the other hand, from the standpoints of earnings and of public policy, bankers should be open-minded and receptive to application from any source for good loans.

Whether or not banking will remain in private hands will depend on the wisdom of the men who are today managing the banks of the country. If unsound loans are made we shall get into trouble. If we refuse to make good loans, we shall get into trouble. There is the happy middlepath and the banker must tread it.

### Preparedness

J. LEROY DART, *President, American Institute of Banking, and Vice-president, Florida National Bank, Jacksonville, before the FIRST GENERAL SESSION.*

**R**EALIZING that the task before us of preserving chartered banking is not only worthy of our best efforts, not only deserving of our best thought and attention, but also well worth any sacrifices we may be called upon to make, we have rededicated ourselves to the cause of banking education and to a program of preparedness.

By this we mean that by education and research we must be prepared to fight with all the vigor at our command for the preservation of those principles of free enterprise and individual initiative that have made American banking what it is today.

### Half-way Organization

LOUIS W. BISHOP, *Cashier, State-Planters Bank and Trust Company, Richmond, Va., before the ROUND TABLE ON BANK OPERATING PROBLEMS.*

**N**O matter how high the caliber of your men, no matter how great their efficiency, no matter their capacity for winning friends and influencing people, if they are not equipped with proper tools, such as good operating forms, and good and modern mechanical

equipment, then organization has proceeded only half way.

A bank staff of the most promising men in the country endeavoring to keep books on Boston ledgers, working without the benefit of modern communication, writing all correspondence in longhand, doing all detail work without the benefit of up-to-date machinery would today be comparable to a crew of ditch diggers endeavoring to tunnel a mountain with a pair of ice tongs. Conversely, a bank can be modernly equipped with machinery and labor saving devices, but poorly staffed, and little if any progress will be made.

### No "Third Banking System"

WILLIAM S. ELLIOTT, *President, Bank of Canton, Ga., before the STATE BANK DIVISION as President.*

**W**HAT will be the result of constantly enlarging activity in the lending fields by Government-sponsored organizations cannot be foretold. That it affects adversely our banking institutions is freely admitted.

It is felt by members of this Division that Federal savings and loan associations should not be permitted to expand into a "third banking system", but should be held strictly in line as thrift and home-building loan agencies as contemplated in the original legislation.

Radical changes in the Farm Credit Administration which have been opposed successfully by the American Bankers Association should continue to be actively opposed unless we are ready to surrender vital principles underlying our whole banking and business economy.

### The Job for Trust Service

GILBERT T. STEPHENSON, *Director, Trust Research, Graduate School of Banking, before the TRUST DIVISION.*

**T**O find effective ways to handle small trusts profitably and economically and to make trust service available to people of small estate is, socially and economically, the first and biggest job ahead for trust service.

This is so because upon the finding of these ways—and that reasonably soon—depends, in a large measure, the continued usefulness and popularity and, stemming from these, depends also the future prosperity and success of the trust business of this country.

### Real Estate Mortgage Lending

JOSEPH M. DODGE, *President, The Detroit Bank, before the ROUND TABLE CONFERENCE ON REAL ESTATE MORTGAGES.*

**O**UR responsibility is not only to serve and protect the bank as a business, but to do the same for the borrower. To give the borrower what he wants is neither the answer to our service nor our responsibility. If we permit the bank depositors' funds to be used, through the mortgage loan account, to create and expand a speculative real estate cycle and to create unsound values, and if we do not fully protect the bank and, in protecting it, make sure the borrower will always be able to save his equity and his property, we are meeting neither responsibility.



# A.B.A. Membership Total Reaches 83%, New High

## Association Has "New Business" Training Course Study Series for Bank Staffs Ready

"Building Business for Your Bank," a new course of training for bank staff members designed to teach ways and means by which new banking business can be obtained, has been developed by the Public Relations Council of the American Bankers Association. It was displayed at the Association's Atlantic City Convention.

The course of study was prepared to satisfy banking's need for a definite plan by which both new customers and more business from old customers can be obtained to offset rising business costs and lowered profits. The successful ideas of more than 200 bankers who have developed new methods of getting business are woven together into one plan by which staff members can be trained to play a vital part in discovering and developing new business opportunities.

Milton Wright, author of several books dealing with public relations, prepared the course of training under the direction of a special A.B.A. committee consisting of Samuel N. Pickard, president of the National Manufacturers Bank, Neenah, Wisc., who is chairman of the A.B.A. Public Relations Council; Ray A. Ilg, vice-president, National Shawmut Bank, Boston; William H. Neal, vice-president, Wachovia Bank & Trust Company, Winston-Salem, N. C., and Otis A. Thompson, president, National Bank & Trust Company, Norwich, N. Y.

### "Regionals" in Fort Worth, New York, Louisville

Three regional conferences are on the program of the American Bankers Association for the current Association year. The first is at Fort Worth, Texas, Dec. 5-6, 1940, at the Texas Hotel. Next comes the Eastern Regional Banking Conference at the Waldorf-Astoria Hotel, New York, March 5-7, 1941. The third conference takes place in Louisville, Ky., March 20-21, at the Brown Hotel.

In preparing the course of study, new business methods that have proved most valuable in actual banking practice were organized into a work comprised of ten booklet-units. Each unit consists of four chapters. Conferences and discussion groups are to be organized by staff members of banks employing the course.

A manual for leaders of the study and discussion groups has been prepared that will enable any reasonably well-informed staff member to direct the classes.

### The Convention

BANKING went to press the day the American Bankers Association opened its Atlantic City Convention.

Consequently, we were unable to cover events of the Convention, including the election of officers, in this issue.

But next month we shall report in text and pictures the highlights of the annual meeting that attracted thousands of bankers to the New Jersey resort.

And this month we publish, elsewhere in "Organization," excerpts from some of the many papers and addresses heard at the various sessions.

## 14,203 Banks in Association Aug. 31; 720 New Members Were Added in Year

Membership in the American Bankers Association on Aug. 31 last was 14,203 banks, 720 of which were added during the preceding year. The total was 83.019 per cent of the eligible institutions in the United States, a record high proportion.

Data on the Association's membership were contained in a report prepared by Dunlap C. Clark, chairman of the Committee on Membership, for the Association's officials at the Atlantic City convention. Mr. Clark is president of the American National Bank, Kalamazoo, Mich.



Dunlap C. Clark

The recent gain marked the sixth consecutive annual increase, which carried the percentage from 63.38 on Aug. 31, 1934, to the present mark, an improvement of 19.64 per cent.

The total is the largest number of members since 1932 when 15,493 banks were in the A.B.A. However, there were 22,592 eligible institutions then as against 17,108 now; and in 1932 the membership represented only 68.57 per cent of the eligible institutions.

Eight states and the District of Columbia had 100 per cent membership when the Association's year closed the last day of August. Arizona, Florida, Idaho, Nevada, New Mexico, Utah, Washington and Wyoming were the commonwealths on this roll of honor, while in Oregon and Rhode Island only one bank blocked the way to a perfect score.

Robert M. Hanes, on becoming President of the Association last Fall, requested that efforts be made to increase the membership to 83 per cent, or 3 per cent above the highest percentage ever reached.

"Frankly," said Mr. Hanes when he learned that this had been done, "I was led to believe that I was asking the unattainable, but here it is. We

(Continued on page 98)

### Five Groups Formed By Florida Banks

Officers of the Florida Bankers Association have completed organizing the banks of Florida into five groups, corresponding to the Congressional districts.

The five meetings were in charge of Stephen H. Fifield, vice-president, Barnett National Bank, Jacksonville.

Lewis F. Gordon, vice-president of the Citizens and Southern National Bank of Atlanta, was the guest speaker at each meeting.

## Drafted Men's Debt Relief Explained By A.B.A. Consumer Credit Department

The Consumer Credit Department of the American Bankers Association points out that the new selective service law not only provides for mobilization of the nation's manpower, but also makes effective for the drafted men provisions designed temporarily to suspend enforcement of certain civil liabilities.

"For these relief sections," said the Department in a statement, "the present law extends to the drafted men the benefits of the Soldiers' and Sailors' Civil Relief Act of 1918 with the following exceptions: Section 100; paragraphs (1), (2), and (5) of Section 101; Article IV; Article V; paragraph (2) of Section 601; and Section 603.

"Section 100 refers to protection, and suspension of legal procedure for men in the World War, while paragraphs (1), (2), and (5) of Section 101 have to do with definitions of terms.

"Articles IV and V of the 1918 Act have to do with relief on life insurance, taxes, and public lands, while paragraph (2) of Section 601 of Article VI refers to missing persons and Section 603 to termination of the Act.

"Thus, those parts of the 1918 Act on general relief through court procedure on all other debts, including rent, installment contracts on real and personal property mortgages, etc., are now in effect.

### No Default Judgment

"Under the general relief given in Article II, institution of suit for collection of a debt is not prohibited, but the securing of default judgment is prohibited.

"Courts may stay all proceedings against the debtor at any time, and after entry of judgment may stay execution, attachment, or garnishment, unless it appears that, because of his military service, his ability to conduct a defense is materially affected.

"Benefits of the law probably will be extended by the court to sureties, guarantors, and endorsers.

## "Calendar" Moves to Page 100

BANKING's convention calendar, which has been published on the last page of News Paper, has moved. It now holds exclusive occupancy of page 100 where it appears in a different format, which will make this old feature even more useful to our readers.

### Repossession Rights

"In Article III all rights of repossession under a conditional sales contract, bailment, or lease, entered into before service or training, are suspended, and the seller or his assignee is forced to proceed in court.

"The court has wide discretionary powers and may order repayment of all payments before repossession, or may stay the proceedings at any state.

### An Amendment

"This article has been amended by the addition of Section 303 reading as follows:

"Nothing contained in Section 301 (referring to the suspension of repossession rights) shall prevent the termination or cancellation of a contract referred to in such section, nor the repossession or retention of property purchased or received under such contract, pursuant to a mutual agreement of the parties thereto, or their assignees, if such agreement is executed in writing subsequent to the making of such contract and during the period of military service of the person concerned."

"In other words, repossession may take place upon mutual consent of buyer and seller or assignee in writing.

### Real Property Contracts

"Similarly, right of repossession under contracts on real property secured by mortgage, trust deed, or other security in the nature of a law must be left up to the court. Eviction of

## Bank Insurance Digest Revised

## New A.B.A. Analysis Ready About Jan. 1

The A.B.A. Insurance and Protective Committee is preparing a digest of bank insurance, the purpose of which is to give banks a comprehensive, ready reference analysis, including graphic charts, of the variety of insurance contracts available to banks.

In 1927 the committee published a similar study under the title "Dependable Bank Insurance." Because of frequent changes in forms of insurance contracts since that time, it was impracticable to prepare a revised edition without its becoming obsolete soon after publication.

Furthermore, new risks confronting banks have arisen during the past years.

Now that the broader forms of contracts most commonly used by banks appear to have been broadened as much as possible for current use, the committee believes it timely and appropriate to publish a revised and enlarged, down-to-the-minute digest to help banks in developing sound insurance programs.

Date of publication is uncertain, but the committee hopes to make the digest available before January 1.

the dependents of a draftee from any residence on which the rent is \$50 or under cannot be accomplished except on leave of the court.

### Further Legislation Expected

"With the exception of a few small parts as already indicated, Article IV of the 1918 Act, dealing with administrative details, remains in force. The period of military service during which the law is operative, as amended, ends 60 days after training and service or active duty terminates.

"The omitted parts of the 1918 Act on insurance and taxes, presumably, will be set forth in separate legislation."

## Reviews Work of Foundation

## Education Unit's Committee Meets

The activities and investment policies of the \$500,000 educational trust fund of the American Bankers Association Foundation for Education in Economics were reviewed for the fiscal year 1940-41 at a recent meeting of the Foundation's investment committee.

Members present were Lewis E. Pierson, chairman of the committee and honorary chairman of the Irving Trust Company; Robert M. Hanes, President of the A.B.A. and ex-officio committee member; Harry J. Haas, vice-president, First National Bank, Philadelphia; Dr. Harold Stonier, Executive Manager of the A.B.A.; W. Espey Albright, A.B.A. Deputy Manager, who is the committee's secretary; and John J. Rooney, A.B.A. comptroller.

The Foundation was established in 1925 to celebrate the golden anniversary of the American Bankers Association. Its purpose is to provide loan scholarships for needy and worthy students in colleges and universities throughout the country. The \$500,000 fund administered by the Foundation was created through gifts by individual bankers and donations by A.B.A. member banks.

Income received from the trust fund is distributed to students in the form of loan scholarships. The Foundation's income has thus far enabled it to assist 690 students in 115 colleges and universities to the extent of \$157,611.

The selection of students who receive the funds is in the hands of local committees who pass upon the eligibility of applicants, pursuant to scholarship and personal qualifications specified by the Foundation. To be eligible, a student must be wholly or partially self-supporting, a student in his senior college year, or a graduate seeking advanced degrees, and must have demonstrated above-average scholarship.

## Big Demand for "Defense" Talks

### A.B.A. Speeches Tell How Banks Can Aid

Two speeches dealing with the nation's banks and national defense have been prepared and are being distributed on request to banks, state bankers associations, clearinghouse associations, and public relations specialists, by the Public Relations Council of the American Bankers Association.

The addresses are entitled "Mobilizing Money" and "Banking's Part in National Defense."

According to information received by the Council from bankers who have obtained copies, the speeches are being used for public gatherings, in schools and churches, and also as sources for other speeches, for radio talks, and as editorial material.

The New York State Bankers Association has requested copies for distribution to its entire membership.

The addresses were designed to show how the existing banking and financial structure is capable of meeting national defense requirements. Their parallel objective is to make the public aware of the danger of regimentation of credit and its threat to America's dual system of independently owned, locally operated banks.

The speeches are woven around the theme of revitalizing democracy to prevent the economic or military penetration of dictatorship into the western hemisphere, the need for national defense, and the ability of banks to finance defense preparations. They present in a new light—that of national defense—the significance of loan statistics compiled by the American Bankers Association.

Forty-four per cent of the nation's banks assembled data for that survey. Their reports to the Association show that they made 25,000,000 extensions of credit last year to business and the public totaling more than \$40,000,000,000.

## Ohio B.A. Suggests Consumer Credit Advertising Rules

Believing that the advertisement of consumer credit facilities by banks should be handled very carefully, the Committee on Consumer Credit of the Ohio Bankers Association has issued to members of that organization a set of six suggestions.

The points covered are:

"1. All advertising, printed or spoken, should be truthful in statement and implication.

"2. Advertising should accurately describe the merits of your bank's services without reflecting on a competitor.

"3. Your bank's consumer credit facilities should be advertised primarily as a service to the public. Advertising of loan costs or rates is not recommended but, if used, it should state clearly the rates and terms, leaving no doubt in the public mind as to total cost involved and length of time for repayment.

"4. Unqualified superlatives and controversial phrases such as 'lowest costs', 'lowest rates', 'quickest service', 'bank rates' should be avoided.

"5. Advertising should not encourage individuals to borrow needlessly.

"6. The above recommendations should be observed in connection with syndicated advertising as well as that prepared especially for your bank."

Below is one of the defense advertisements suggested for bank use by the A.B.A. Advertising Department

### \* DEFENSE LOANS \*

We will cooperate wholeheartedly with business firms participating in the national defense program. Applications for loans to finance defense projects will receive our immediate attention.

Bank Signature

## FINANCIAL ADVERTISERS ASSOCIATION

25<sup>th</sup>  
CONVENTION



Members of the Financial Advertisers Association received this folder urging their attendance at the convention at The Homestead, Hot Springs, Va.

## Bank Public Relations Is F.A.A. Theme For 25th Annual Convention Oct. 28-30

Public relations for financial institutions will be discussed in detail at the 25th annual convention of the Financial Advertisers Association in Hot Springs, Va., Oct. 28-31.

Lewis F. Gordon, assistant vice-president of The Citizens and Southern National Bank, Atlanta, who is general program chairman, has announced that one of the featured speakers on the program will be Robert M. Hanes, president, Wachovia Bank & Trust Company, Winston-Salem, North Carolina, and immediate past president of the American Bankers Association. His subject is the "Executive's Point of View in Public Relations."

A parallel address, "How Broad Is the Financial Advertising Man's Point of View?", will be made by J. Lewell Lafferty, vice-president, Fort Worth National Bank.

Benjamin E. Young, vice-president, National Bank of Detroit, will discuss "Business Begins at Home", showing how new business may be developed by the use of statistical control of facts concerning customer use of services.

School sessions, a feature of the association's conventions, will be handled by Harford Powl of the Institute of Public Relations, Inc., New York City. He will give a three-session, intensive lecture course,

the first hour of each convention day, on the subject of public relations.

Other speakers who will address the convention include the following:

Donald Davis, president, General Mills; Lawrence H. Selz, publicity counsel, Chicago; C. C. Parlin, formerly director of Research, Curtis Publishing Company; Price Gilbert, advertising manager of the Coca-Cola Company; E. J. Alexander, vice-president, Fuller & Smith & Ross, Cleveland; and Robert E. Grove, vice-president, Ketchum MacLeod & Grove, Pittsburgh.

## A.B.A. Membership

(Continued from page 96)

are all fully aware of the tremendous outlay of time and effort required to achieve this goal. Our 83 per cent membership is a source of keen satisfaction to me personally and, I am sure, to those who participated in its attainment as well."

Mr. Hanes, Chairman Clark, and Dr. Harold Stonier, Executive Manager of the A.B.A., thanked the Committee on Membership, the State Vice-presidents, and members of the Association's official family for their work toward realizing the 83 per cent goal.



THIS MAN'S CROOKED



THIS MAN'S STRAIGHT

## *Why protection against both?*

PROTECTION works two ways. First it is *against* something: an evil, a disaster, a destructive force. Again, it is *for* something: a value, an asset, an estate.

When you insure against the burglar, the thought is to protect against the ravages of a misdoer. When the court, on the other hand, orders an executor or guardian—an honest man—to post a bond, it wishes to protect and preserve values against a possible unforeseen slip from normally dependable conduct—by error, poor judgment, even dishonesty.

American Surety and New York Casualty Companies write many forms of indemnity covering human error or misconduct. Agents everywhere are relied upon to bring this nation-wide protection and service to your own door.

### **AMERICAN SURETY COMPANY NEW YORK CASUALTY COMPANY**

HOME OFFICES: 100 Broadway, New York

Both Companies write fidelity, forgery and surety bonds and casualty insurance.

# CONVENTION CALENDAR

## OCTOBER • 1940

SUN.	MON.	TUES.	WED.	THUR.	FRI.	SAT.
		1	2 Mortgage Bankers Association of America Chicago, Illinois	3	4	5
6	7	8	9 Savings Bank Association of State of N.Y. Lake Placid, N.Y.	10 Kentucky B.A., Brown Hotel, Louisville	11 New Hampshire B.A., Fall Meeting, Whitefield	12
13	14	15	16 American Institute of Accountants, Hotel Peabody, Memphis, Tenn.	17	18	19
20	21	22	23 National Association of Bank Auditors and Comptrollers, St. Louis, Missouri	24 Nebraska B.A., Lincoln	25	26
27	28 Financial Advertisers Association, The Homestead, Hot Springs, Virginia	29	30	31		

## JANUARY • 1941

SUN.	MON.	TUES.	WED.	THUR.	FRI.	SAT.
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20 Wisconsin B.A. Mid-Winter Meeting, Milwaukee	21	22	23 Connecticut B.A. Mid-Winter Banquet, University of Missouri, Columbia	24	25
26	27	28	29	30 Illinois B.A. Mid-Winter Conference Palmer House, Chicago	31	

## NOVEMBER • 1940

SUN.	MON.	TUES.	WED.	THUR.	FRI.	SAT.
					1	2
3	4	5	6	7 11th A.B.A. Mid-Continent Trust Conference, Chicago, Illinois	8	9
10	11 U. S. Savings and Loan League ----- Chicago, Illinois	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

## FEBRUARY • 1941

SUN.	MON.	TUES.	WED.	THUR.	FRI.	SAT.
						1
2	3	4 A.B.A. Mid-Winter Trust Conference, Waldorf Astoria, N.Y.	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	

## DECEMBER • 1940

SUN.	MON.	TUES.	WED.	THUR.	FRI.	SAT.
1	2	3	4	5 A.B.A. Regional Conference Fort Worth, Texas	6	7
8	9 Southern Conference of Bankers Assn. Secretaries, Louisville, Kentucky	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27 American Economic Assn., New Orleans, Louisiana	28
29 American Economic Assn., New Orleans, Louisiana	30	31				

## MARCH • 1941

SUN.	MON.	TUES.	WED.	THUR.	FRI.	SAT.
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20 A.B.A. Regional Conference, Louisville, Kentucky	21	22
23	24	25	26	27	28	29
30	31					

